Annual Report
to the Nova Scotia Legislature
# of the
STANDING COMMITTEE ON PUBLIC ACCOUNTS

1989-90

Dr. William Gillis, M.L.A.
Chairman

Hon. George Archibald
Vice-Chairman

First Session of the Fifty-Fifth General Assembly

ANNUAL REPORT
to the
NOVA SCOTIA LEGISLATURE

# of the
STANDING COMMITTEE ON PUBLIC ACCOUNTS

1989-90

TABLE OF CONTENTS

Page

Introduction.................................... i

- *Mandate*.................................... *i*
- *Procedures and Operations*.................. *i*
- *Interim and Annual Reports*................. *ii*
- *Committee Resources*........................ *ii*
- *Canadian Council of Public Accounts Committees*.. *iii*
- *Acknowledgements*........................... *iii*
- *Witnesses*.................................. *iv*

REPORT

Preliminary Meeting.............................. 1

Office of the Auditor General.................... 3

- Offshore Development Fund.................. 3
- Joseph Howe Building....................... 4
- Receiverships.............................. 5
- Pension Plan Arrangements.................. 6
- Portland Estates Limited................... 7
  - -Financial State/Spring 1989.......... 7
  - -Foreclosure.......................... 7
  - -Loss to Province..................... 7
  - -Decision to Expropriate.............. 8
  - -Canada Mortgage and Housing Corp..... 8
  - -Auditor General's Role............... 8
- Other Related Matters...................... 9

Nova Scotia Power Corporation.................... 11

- The Bluenose Project....................... 11
- Public Utilities Board..................... 11
  - - Rate Increases...................... 11
  - - Rural Electrification............... 12
  - - Charitable Organizations............ 12
- Westray Contract........................... 13
- Hiring Policies............................ 14
- Reserves................................... 14
- Environmental Concerns..................... 15

TABLE OF CONTENTS

Page

Provincial Tax Commission........................ 16

Tax Exempt Status - Nova Scotia Indians..... 16
Provincial Tax Commission Investigations.... 17

Department of the Attorney General
-Courts and Registries Division.................. 19

Outstanding Fines........................... 19
Write-Offs.................................. 20
Retirement Policy........................... 20

Sobeys Stores Incorporated....................... 22

Tax Commission Directive.................... 22
Responsibility.............................. 23
Alleged Budget Leak......................... 24

Teachers' Pension Commission..................... 25

Unfunded Liability.......................... 25
Actuarial Valuations........................ 26
Communications with Teachers................ 26
Bill to Amend the Teachers' Pension Act..... 26
Membership - Teachers' Pension Commission... 27

Business Capital Corporation..................... 28

Organizational Policies & Procedures........ 28
Grand Pre Winery............................ 29
Suttles and Seawinds........................ 29
Hospitality Ventures Ltd.................... 30
MER Ventures Ltd............................ 30
Venture Capital Program..................... 31

Auditor General of Canada........................ 32

Sheet Harbour Industrial Link............... 32
East and West Petpeswick Bridges............ 32
Unauthorized Salaries....................... 33
South Dartmouth Residential Development..... 33
Planning Details............................ 34
Response to Accusations..................... 34

TABLE OF CONTENTS Page

Nova Scotia Resources Limited.................... 35

Panuke and Cohasset......................... 35
- -Oil Production....................... 35
- -Controlling Interest................ 35
- -Iona Resources...................... 36

Finances.................................... 36
- -Debtload............................ 36
- -Deregulation........................ 36
- -Alternate Energy Investments........ 36

Portland Estates Limited......................... 38

APPENDICES

INTRODUCTION

INTRODUCTION

The Standing Committee on Public Accounts was struck in the Nova Scotia Legislature on April 3, 1989. Membership was as follows:

Hon. George Archibald (Kings North)
Hon. George Moody (Kings West)
Hon. G. David Nantes (Cole Harbour)
Hon. Ronald Giffin, Q.C. (Truro-Bible Hill)
Hon. Donald McInnes (Pictou West)
Dr. William Gillis, M.L.A. (Antigonish)
Mr. Vincent J. MacLean, M.L.A. (Cape Breton South)
Mr. Ross Bragg, M.L.A. (Cumberland West)
Mrs. Alexa McDonough, M.L.A. (Halifax-Chebucto)

On April 12, 1989, Dr. William Gillis, M.L.A. was elected Chairman, and the Hon. George Archibald was appointed Chairman. Ms. Dianne Stillman was reappointed Committee Secretary.

Mandate

As in previous years, the intent of the Committee was to look at some of the broader issues of government management and financial administration.

Procedures and Operations

The Public Accounts Committee traditionally meets weekly during the Session, and periodically outside of the Session. It holds its meetings in the Legislative Chamber on Wednesday mornings. During the Spring Session of the Legislature, the Committee met on the following dates:

April 12, 1989
April 19, 1989
April 26, 1989
May 3, 1989
May 10, 1989
May 17, 1989
May 24, 1989
May 31, 1989
June 7, 1989
June 14, 1989
August 30, 1989
November 15, 1989
December 13, 1989
January 10, 1990
January 17, 1990

The Public Accounts Committee is an all-party Committee and is struck early in each Session by a Special Striking Committee. Since 1987, it has been chaired by a member of the Official Opposition. [R. 60 (3)].

Elections for Chairman and Vice-Chairman are the first items of business at the preliminary meeting of the Committee, which is called by the Chief Clerk of the House. Business then turns to setting an initial agenda. Each represented party submits a list of suggestions for consideration.

Immediately following the first meeting, the Committee Secretary contacts each witness, provides them with written confirmation and draws up a tentative schedule for members.

Prior to each meeting, members are provided with a package of reference material, which is researched and compiled by the Committee Secretary and forwarded to them with the formal notice of the meeting. Notices are also sent to Hansard Reporting Services, the Province House Custodian and the Press Room.

Follow-up procedures are done, by the Committee Secretary, within a reasonable amount of time following each meeting.

The Committee's workload has increased considerably in recent years, with several meetings being held outside of the Session. It is anticipated that it will continue to do so.

Interim and Annual Reports

Reports are prepared twice yearly on an interim and annual basis. They are compiled and written by the Committee Secretary. Once the Chairman has approved the initial draft, the report is circulated to members with a request for input. Members' suggestions are then incorporated and the document is tabled. As recommended in the Guidelines for Public Accounts Committees, distribution of reports will be as follows: to all Members of the Legislature, all witnesses, the Legislative Library in Nova Scotia and in other provinces and territories, deputy ministers, Chairman of all Canadian public accounts committees and members of the media.

Committee Resources

As previously noted, the workload of the Committee is constantly increasing. Presently, the Committee is supported by one person, on a part-time basis. This person is assigned to the Legislature Committees Office and therefore, is required (along with one other) to provide support for six (6) standing committees.

Canadian Council of Public Accounts Committees (CCPAC):

The CCPAC is a national Council, set up for the purpose of providing Canadian public accounts committees with an opportunity for constructive discussion in the performance of their duties. The Council is comprised of members of public accounts committees from each provincial and territorial legislature, as well as the House of Commons.

Tenth Annual Conference (1988)

In July 1988, Nova Scotia hosted the above conference of the CCPAC and, we are pleased to report, it was considered an overall success. All meetings were chaired by Dr. William Gillis, M.L.A., who was also the National President of the CCPAC at that time. Meetings were conducted in the Legislative Chamber.

The principle agenda item was a document entitled, "Guidelines for Public Accounts Committees in Canada", a copy of which is available in the Legislative Library. Over the three-day business session, the Council worked diligently to amend and improve upon the document. A revised version was released at the 1989 conference, which was held in Alberta. A report on the 1988 Conference was prepared by the Committee Secretary and is also available in the Legislative Library.

It has been customary for the Conference of Legislative Auditors (also a national body, including the Auditor General of Canada) to hold its conference at the same time and location. This allows for one afternoon to be set aside for a joint meeting. Chairmanship on this occasion, was shared by Dr. William Gillis, M.L.A., President - CCPAC, and Mr. O. Paul Cormier, Auditor General of Nova Scotia. The purpose of these joint sessions is to promote better understanding and co-operation between the two groups.

Acknowledgements:

The Committee wishes to extend its appreciation to the witnesses for their time and co-operation. In addition, the Committee thanks the Hon. Arthur R. Donahoe, Speaker of the House of Assembly and his staff; Mr. O. Paul Cormier, Auditor General, and his staff; Mr. Rodney Caley, Editor of Hansard, and his staff; as well as the staff of Province House.

WITNESSES

April 19, 26, May 17, January 10/90 - Office of the Auditor General

Mr. O. Paul Cormier - Auditor General
Mr. Roy Gunn - Deputy Auditor General
Mr. James Butler - Assistant Auditor General

May 3 - Nova Scotia Power Corporation

Mr. Louis Comeau - President and C.E.O.
Mr. Terry MacDonald - Vice-President (Planning)
Mr. Gerald Lethbridge - Vice-President (Engineering and Production)
Mr. Leonard Sweett - Vice-President (Customer Services)
Mr. R. E. Johnson - Controller

May 10 - Provincial Tax Commission

Mr. Eric Lavers - Provincial Tax Commissioner
Mr. James Spurr - Department Solicitor
Mr. David Quaintance - Manager, Tax Information

May 24 - Department of the Attorney General

Mr. R. A. MacDonald - Executive Director, Courts & Registries Division
Mr. John Embree - Solicitor, Legal Services Division

May 31 - Sobeys Stores Incorporated

Mr. H. Ross MacDonald - Comptroller
Mr. Clinton Keay - Assistant Comptroller
Mr. Kevin Duggan - Budget Co-ordinator (and former Assistant Comptroller)
Mr. Ian MacKenzie - Director of Advertising and Public Relations

June 7 - Teachers' Pension Commission

Mr. R. W. C. Jack - Commission Secretary
Mr. Bruce MacDonald - Actuary
Mr. Steve Hogan - Teachers' Representative

June 14 - Business Capital Corporation

Mr. Norman MacNeil - President
Mr. Robert Shaw - Chairman

August 30 - Office of the Auditor General of Canada

Mr. Kenneth Dye, Auditor General
Mr. David Marshall, Assistant Auditor General
Mr. Bill Woodley, Principal, Audit Operations

November 15 - Nova Scotia Resources Limited

Mr. Peter Outhit, President & C.E.O.
Mr. John French, Director of Marketing and Business Development
Mr. Robert MacDiarmid, Treasurer

January 17, 1990 - Portland Estates Limited

Mr. Allen Stockall, President

REPORT

PRELIMINARY MEETING

April 12, 1989

The Standing Committee on Public Accounts held its first meeting of the Fifty-Fifth General Assembly in the Legislative Chamber, Province House on Wednesday, April 12, 1989 at 10:00 a.m. The meeting was called by the Chief Clerk of the House, who opened the meeting and called for nominations for chairman. The Member for Cape Breton South moved and the Member for Truro-Bible Hill seconded the motion that the Member for Antigonish assume the chairmanship of the Committee. The motion carried.

The Chairman's first order of business was the appointment of a Vice-Chairman. The Member for Kings North was unanimously appointed, upon a motion by the Member for Cape Breton South. At the suggestion of the Chairman, the Past Secretary of the Committee was reappointed.

In referring to the 1988 Report of the Auditor General, the Chairman made note of two suggestions (p. 52), i.e. a more formal enunciation of the role and responsibilities of the Committee and the use of more formal agendas. He recommended that members obtain from the Legislature Committees Office, copies of a report entitled, Guidelines for Public Accounts Committees in Canada, which was prepared by the Canadian Council of Public Accounts Committees and was the principle item of business at the Council's 1988 Conference, held in Nova Scotia.

The Chairman called on members to present suggestions for the coming agenda of the Committee. The Member for Cape Breton South submitted a list of proposed witnesses (See Appendix I-a), all of which were agreed to by all members of the Committee.

In addition, the Member for Halifax-Chebucto verbally suggested the inclusion of: 1) Mr. Allen Stockall, President, Portland Estates Ltd. - agreed to by all other members; and 2) Mr. Kenneth Dye, Auditor General of Canada - a suggestion which generated considerable discussion.

She moved that the Chairman contact the federal Auditor General and ask him if it is within the bounds of protocol for him to be invited to appear before a provincial Public Accounts Committee and if so, invite him. The motion was defeated.

On a motion by the Member for Cape Breton South, it was agreed that the Chairman should enquire of the Auditor General of Canada whether or not it would be appropriate for him to appear before a provincial body and report back to the Committee for further discussion.

After some discussion, the Committee agreed that the following persons be contacted and invited to appear as witnesses in the coming weeks:

1. Mr. O. Paul Cormier, Auditor General (N.S.) - for a minimum of two weeks.
2. Mr. Louis Comeau, President and C.E.O, Nova Scotia Power Corporation
3. Mr. Eric Lavers, Provincial Tax Commissioner
4. Mr. Norman MacNeil, President, Business Capital Corporation
5. Mr. R. W. C. Jack, Teacher's Pension Commission
6. Representatives of the Departments of the Attorney General and the Solicitor General
7. Mr. Peter Outhit, President, Nova Scotia Resources Ltd.
8. Representatives of the Provincial Purchasing Agency
9. Mr. Allen Stockall, President, Portland Estates Ltd.
10. Representatives of the Nova Scotia Lottery Commission and the Provincial Representative on the Board of the Atlantic Lottery Corporation

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Meeting Summary: See APPENDIX I

OFFICE OF THE AUDITOR GENERAL

April 19, 1989
April 26, 1989
May 17, 1989
January 10, 1990

In keeping with tradition, the provincial Auditor General was the first witness on the Committee's agenda. He appeared on four separate occasions and each time, was accompanied by two members of his staff, the Deputy Auditor General and the Assistant Auditor General.

The first three meetings focused primarily on the 1988 Report of the Auditor General, particularly as it related to the Offshore Development Fund (pp. 174-180); to the rental of government office space, i.e. the Joseph Howe Building lease arrangements (pp. 140-142); and to Business Capital Corporation Receiverships (pp. 151-162).

The Auditor General was again invited to appear before the Committee on January 10, 1990 to discuss specifically the current status of the financing of Portland Estates Limited. The Committee requested that he give them a report on the subject prior to the meeting [See Appendix XIII-a].

Offshore Development Fund

In his opening remarks, the Auditor General commented at length on the stand he had taken on the state of the Offshore Development Fund, with relation to the opinions expressed in the 1988 Report of the Auditor General of Canada (para. 10-4 to 10.33) "to provide a better perspective and more background on the involvement of my office in the Canada Offshore agreement..." [p. 16, Hansard Transcript - April 19].

Of particular concern to the Committee was the witness' view that the office of the federal Auditor General, in their audit of the federal Department of Energy, Mines and Resources, had misrepresented the facts regarding the Offshore Development Fund. Opposition Members felt that this difference of opinion between the provincial and federal Auditors General warranted further investigation, and commented that the Committee should have the opportunity to question the Auditor General of Canada on his findings.

Following the Preliminary Meeting, the Chairman contacted the federal Auditor General regarding the protocol of his appearance before a provincial body. He received a positive response and reported back to the Committee for further direction.

Considerable discussion took place on the implications of such a visit. In particular, the federal Auditor General's use of a video to emphasize certain aspects of the audit, was considered inappropriate and generally misleading, in the view of the Member for Kings West. [p. 184 - Hansard Transcript - May 17]

After some discussion, the Committee voted on a motion, by the Member for Kings West, to the effect that the federal Auditor General not be invited to appear before this Committee. The results of the vote were: 4 in favor, 4 against, with the Chairman casting the deciding vote [Rule 61 (1)] against the motion. The motion was thus defeated and an invitation was extended to the Auditor General of Canada to appear before this Committee on a mutually convenient date. He accepted, and the date of May 17, 1989 was confirmed.

On May 11, however, he contacted the Chairman by letter, indicating that it was the wish of the federal Public Accounts Committee to hear from him on the Offshore Development Fund, prior to his visit to Nova Scotia. It was still his intention to appear before this Committee as soon as his duty to the federal Committee had been fulfilled. The date for this meeting was eventually confirmed for August 30, 1989. *[See pages 32-34 of this report]*.

Joseph Howe Building

Despite the Auditor General's contention that he does not have the authority to make enquiries of third parties and that his access is "restricted to whatever happens to be in the files of the government department or agency concerned" [p. 28 - Hansard Transcript - April 19], the Member for Cape Breton South expressed grave concern with the methods used in assessing this situation. He noted particularly the two disclaimers contained in the Auditor General's Report (p. 142 and 145).

Opposition Members of the Committee were concerned that the Auditor General, in his investigation into the matter, should have:

a) made enquiries of Confederation Life - to determine how much Centennial Properties had paid for the building, and/or how much it would have cost the province to purchase it directly from Confederation Life;

b) made cost comparisons with other office rental space available in the vicinity of Province House;

c) made enquiries into why the Province is paying $27.32 per sq. ft. for a Class B building, when a Class A building in downtown Halifax rents for an average of $26.20 per sq. ft.

The management fee of $127,000 to Centennial Properties was queried by the Member for Cape Breton South, in light of the fact that the province is fully responsible for the cost of insurance, property taxes and services connected with the building. The Auditor General was unable to elaborate on the purpose of this fee. However, the Member for Kings West pointed out that similar arrangements were in place for all buildings rented by the Province. The Auditor General agreed.

The Member for Cole Harbour stated that media reports in 1988, which estimated the price of the Joseph Howe Building to be $62 million were, in his view, misleading. He stated further that the lease arrangement was a sound investment and is more valuable today than when first concluded. The Auditor General agreed.

Receiverships

At the request of the Committee, the Auditor General provided a complete list of the 34 receivership cases examined by his department.

Suttles and Seawinds -

Despite the fact that management consultants, hired by the receiver, indicated that the Province's total loss on the receivership would be less than $100,000, the actual loss was in excess of $1.1 million. The Member for Cumberland West questioned the Auditor General on this situation, noting further that, although the consultants recommended that the operation should be wound down by April 30, 1986 if no equity investor was found, this was not done. He noted that the principals involved, when the company went into receivership, are again running it.

> The Auditor General was unable to comment on this situation, because he "did not interview the receiver" [p. 159 - Hansard Transcript - May 17] and was unsuccessful in obtaining any additional information from the Chairman of the Resources Development Board.
>
> This issue came up at a meeting of the Standing Committee on Economic Development on May 15, 1987 and the Member for Cumberland West expressed concern that the Auditor General had failed to find any new information in his audit the following year. [p. 163 - Hansard Transcript - May 17]
>
> Coopers and Lybrand were the receivers for both Suttles and Seawinds and Halifax Industries. The Auditor General commented that he would have no objection to the firm being hired by the Province for another project, provided the operating procedures were made clear at the outset.

The Auditor General advised that, although there is a code of conduct for chartered accountants, in his view, this does not apply when they are acting as receivers. The Chairman, however, asked him to fully review this issue, and to determine if it was his responsibility to report the receivers' actions to his professional body. He did so, and clarified his position in a letter dated May 19, 1989. (See Appendix IV-a)

Pension Plan Arrangements - Auditor General

At the request of the Member for Cumberland West, the Auditor General explained the history of his pension plan buy-back arrangements. In 1982 and again in 1983, he approached the government in an effort to buy back five additional years of his university service toward his pension plan. At that time, the Attorney General and the Department of Finance decided against this request. However, in November 1988, a legal opinion was arrived at to the effect that, should they wish to do so, the Executive Council had the right to grant this entitlement. They did so by Order-In-Council in early March 1989.

The Member for Halifax-Chebucto expressed concern that the Auditor General's appearance of independence had been compromised as a result of this benefit, and that at the very least, some all-party consultation should have taken place in advance of this decision.

The Auditor General felt, however, that he was within his rights to request such a benefit, citing instances where similar arrangements had been made both in Nova Scotia (i.e. for the former President of the Technical University of Nova Scotia) and in other provinces.

Portland Estates

[See also pages 30 and 38 of this report.]

Financial State - Spring 1989

In response to a query from the Member for Halifax-Chebucto, during his appearance on May 17, the Auditor General reported that payments of $57,000 per month, that were called for in the last agreement with Portland Estates, have not been made and that the balance due at April 10th was $2,919,284. He noted further that "there is a court review pending with respect to the foreclosure by the first mortgage holder, the bank."

Foreclosure

On November 28, 1989, Portland Estates Limited was sold at public auction to First City Trust for $10 million. The province made a bid of $9 million, a figure which, as the Auditor General explained to the Member for Halifax-Needham on January 17, 1990, was arrived at by calculating the difference between the estimated market value ($12 million) and what was at that time, the recoverable investment ($3.1 million).

Loss to Province

The Auditor General advised that, since 1980, the government has invested $8.5 million in Portland Estates Limited, of which none is recoverable. To a query from the Member for Halifax-Needham, he stated that there was no provision under the Auditor General Act to audit Portland Estates. He noted, however, that under the provisions of an agreement with the government, the company was required to provide audited financial statements - none of which had been forthcoming.

The Member for Cole Harbour expressed the view that, if the government had not provided funding, Portland Estates would have reverted to the original owners, because Mr. Stockall did not have full title at that time.

The Member for Cumberland Centre expressed his concern that small business people in this province are held more accountable for any assistance they receive than are companies like Portland Estates Ltd., which are given considerably larger amounts of money. The Auditor General agreed.

The Auditor General also agreed with the Member for Antigonish, when he noted that had the government left the matter before the courts in 1980 and allowed the Expropriation Compensation Board to decide the case, this loss might have been avoided.

The government, in the view of the Auditor General, could have been much firmer with Portland Estates Ltd. in protecting the public interest. He added, however, that this may not have been of any consequence.

Decision to Expropriate

The Member for Cole Harbour stated that it was his understanding that expropriation procedures were begun in the mid 1970's and yet the land was not likely to be developed until 1992-93.

To a query from the Member for Halifax-Chebucto, the Auditor General noted that he could find no correspondence supporting the decision of the government of the 1970's. He noted also that such decisions were always made by Cabinet (a custom which is common throughout the country) and as such, not subject to his scrutiny.

Canadian Mortgage and Housing Corporation

Although the Auditor General responded to a query by the Member for Cole Harbour by saying that CMHC declined to support the use of the Portland Estates land because its criteria could not be met, he was reminded by the Member for Cumberland Centre that CMHC had offered $705,000 for development of 138 acres of the land; and further, that CMHC had changed their regulations which allowed more than the 138 acres to qualify.

Auditor General's Role

Although throughout his report on Portland Estates, the Auditor General explained that his access to information was limited, he was unable to advise the Member for Halifax-Chebucto on further investigative processes or public officials that could be interviewed by this Committee.

Other Related Matters

Uniacke Properties - NSLC - Bayers Lake - To queries from the Member for Cumberland West, the Auditor General commented that he had been unaware of the controversy surrounding the above property until this meeting (May 17). He noted, however, that his department would "be considering it pretty seriously", although he could not give a specific time that this would be done.

Government Office Space Rentals - The Member for Halifax-Chebucto commented that there had been a 115% increase in space rentals (37% of which was for office space alone). Considering that the increase in the Civil Service for the same period was only 5%, she was concerned that the Auditor General, in his report, had no criticisms to offer.

In response, the Auditor General noted that much of this increase resulted from expanded services in various departments. The Member for Kings West pointed out, and the Auditor General agreed, that the increase in office space could be directly attributable to the relieving of overcrowded working conditions.

The Auditor General stated further that his department, in surveying lease/purchase ratios in other provinces, determined that the Province of Nova Scotia should adopt a policy of moving toward a greater degree of ownership. The Members for Kings West and Pictou West agreed with this view, citing it as a good investment for the future.

Audits of Universities, Hospitals and School Boards - The Auditor General reported that his department hadrecently completed an assignment at the Victoria General Hospital and would be doing the province's seven largest universities later this year. It has been decided to delay other health care audits until the Health Commission Report has been released. Audits in municipalities and community social services have been set aside because these areas have active audit operations. He anticipated that his department will be visiting school boards in 1990.

Department of Transportation - In reply to questions from the Member for Cape Breton South, the Auditor General elaborated on comments made in his 1988 report (p. 198) regarding problems associated with the payment of casual employees. He noted that there is not the same degree of formalized procedures associated with the payment of this group as there is with permanent employees. As this was a problem of a very minor nature, the Member for Cape Breton South questioned the necessity of including it in the report.

The Auditor General agreed with comments made by the Member for Kings West that in order to be able to attract qualified persons as internal auditors in the Department of Transportation, such positions should be upgraded.

Nova Scotia Power Corporation - Public Utilities Board - The Auditor General stated, in reply to a question from the Member for Cape Breton South that, in his view, a reasonable expenditure level, above which PUB approval should be required, is $50,000 - $100,000. He also commented that "There was nothing that came to light in our audit to indicate that the review by the board (PUB) was not appropriate." [p. 174 - Hansard Transcript - May 17]

Departmental Annual Reports - The Chairman noted that several departments had not tabled reports in the House of Assembly, as far back as 1984. He asked the Auditor General to look into this matter. The Member for Halifax-Chebucto asked the Auditor General to look into a rumor that reports had been prepared for the Department of Development (Industry, Trade and Technology) for the years 1985, 1986 and 1987, which had not been tabled; and if true, to see that they are properly tabled.

The Auditor General forwarded additional information, at the Committee's request, within one week of each of the meetings. See Appendices II-a, III-a, IV-a and XIII-a.

Meetings Summaries: See APPENDICES II, III, IV and XIII

NOVA SCOTIA POWER CORPORATION

May 3, 1989

The President of the Power Corporation appeared before the Committee on May 3 and was accompanied by the Vice-President (Planning), the Vice-President (Engineering and Production), the Vice-President (Customer Services) and the Controller.

In his opening remarks, the President referred to material which was distributed to the Committee at the beginning of the meeting. He briefly spoke on a) the recent rate increase of 6.3 per cent; b) the sinking fund; c) fuel costs; d) environmental policies; e) sales increase; and f) oil consumption increase.

The Bluenose Project

> *"The Bluenose Project is designed to interconnect Nova Scotia with New England via a high voltage direct current (HVDC) transmission system...." (Introductory page, the Bluenose Project prospectus)*

In response to questioning by the Member for Cape Breton South regarding the cost of 300 megawatt units as opposed to 150 megawatt units, the witness stated that size was not an indicator of cost and that the decision to build 150 megawatt units at Lingan instead of 300 megawatt units, as originally planned, was based on security of supply. [p. 85 - Hansard Transcript - May 3]

The Member for Halifax-Chebucto requested that the projects listed in Appendix B of the Bluenose Project prospectus, be fully explained as to cost and their direct or indirect association with the Project. She made a motion to this effect, which passed unanimously, without discussion. (See Appendix V-a)

Public Utilities Board

Rate Increases

The witness reported that, although the Corporation requested a rate increase of 5.9%, effective April 1, 1989, the Public Utilities Board approved an increase of 6.3%. "The Board feels this adjustment will be sufficient to fund our cost of operations in fiscal 1990 as well as provide us with an increase of $8 million in reserves." [p. 1 - Submission to Public Accounts Committee - available in Legislative Library]

In response to a query from the Member for Cumberland West, the witness advised that the reason the Corporation had not sought a rate increase in 1986, 1987 and 1988 (despite indicating their intention to do so at that time), was that with a reserve of $59 million in 1986, they thought it unlikely the Legislature would approve an increase.

Rural Electrification

The witness explained that the Rural Electrification Program had been in effect from 1937 to 1983, totaling $35.6 million. In 1980, the plan was simplified to a $4.5 million payment per year with two conditions: 1) NSPC could ask for a review if costs were greater than the $4.5 million, and 2) the amount to be paid by the province was subject to appropriation of funds by the Legislature. Since 1983, he noted, no funds had been appropriated and, therefore, no payments were made.

The Member for Cape Breton South referred to a Public Utilities Board ruling that the Province should pay the Power Corporation $30 million for rural electrification. To his questions regarding the Corporation's position on this decision, the witnesses merely stated that there is a difference of opinion between the government and the PUB, that being that the government does not recognize this as its responsibility.

Charitable Organizations

The witness stated that, in its presentation to the PUB, the Corporation requested a change in policy toward service clubs, in an effort to help these organizations lessen their power costs. However, he noted, the Board refused and implied that such action would violate the fully allocated cost principle. The witness agreed with the Member for Kings West that the only way to effectively help charitable organizations, in this instance, was to change the Public Utilities Board Act.

The Member for Lunenburg East noted that organizations with charitable status have a cap of 72,000 kilowatts per consumption per year. He commented that many were encouraged to go to an all-electric system and now use as much as 92,000 kilowatts for the same period. He suggested that, if it wished to do so, the government could easily have amended the PUB Act to help them. To this statement, the witness had no comment.

The witness stated, in reply to a question from the Member from Cumberland West, that the Corporation had no input in the Premier's decision to change the Public Utilities Board rules regarding mega-projects.

Westray Contract

Considering statements made recently by the Minister of Industry, Trade and Technology, which indicated that the Westray operation has a much smaller overhead and will be able to operate at approximately 25% of the workforce that Devco employs, the Member for Cape Breton South asked for an explanation of how the price for coal for each operation could be determined to be exactly the same. The witness explained that Westray has a considerable capital expenditure in development and suggested that Devco's efficiency be addressed. The witness noted further that prices with Devco are negotiated every five years and the Power Corporation is satisfied that its prices are applicable to the current market.

The Member for Cape Breton South made a motion to the effect that the Nova Scotia Power Corporation be directed to provide members of the Public Accounts Committee with a copy of the Westray contract. The Members for Cape Breton South and Halifax-Chebucto spoke in favor of the motion and the Member for Cole Harbour spoke against it. The Chairman called for a vote and the results were: 5 in favor, and 4 against. The motion carried.

NOTE: At the May 31, 1989 meeting of the Public Accounts Committee, the Member for Truro-Bible Hill moved that the above motion be rescinded. This motion carried. [p.255-259 - Hansard Transcript - May 31]

The Member for Halifax-Chebucto then moved that the Corporation be directed to provide the Westray contract, minus any highly confidential information, along with an explanation of the deletions. The motion was defeated. [p. 259-260 - Hansard Transcript - May 31]

Hiring Policies

To a query by the Member for Cole Harbour, the witness advised that, within the union agreement, the Corporation is compelled to post jobs internally, and is permitted to advertise externally only if all stipulations of the union agreement are met. Non-union positions are posted internally and are advertised outside only if they cannot be filled from within. He noted further that all job applications are considered confidential and, should the Corporation be required to make any such information public, they would consider it necessary to put a warning on their advertisements.

The witness advised, in response to the Member for Lunenburg East, that there are approximately 2,450 employees at the Corporation and further, that although the Corporation does not have an Affirmative Action Program, a survey is currently being conducted of minority employees. To the request by the Member for Halifax-Chebucto for a copy of this minority report, when it [illegible] been completed, the witness indicated that "it might be possible". [p. 108 and p. 114 - Hansard Transcript - May 3][*]

Reserves

In their prepared submission to the Committee (page 2), the witnesses indicate that the Power Corporation incurred a $27.8 million operating loss in fiscal 1988, which was offset by the utilization of reserves. They also indicated that the fiscal loss for NSPC in 1988-89 would be $20 million, whereas, as the Chairman pointed out, the figure the Corporation gave in its submission to the Public Utilities Board was $31 million. The witnesses agreed to provide the actual figure, following the meeting. (See Appendix V-a)

To concerns expressed by the Member for Cumberland West, the witness indicated that the reduction in reserves has been counteracted by a sinking fund, which has close to $350 million. The sinking funds were established to provide for the retirement of the majority of the NSPC debt, which reached $1.8 billion as of March 31, 1989. Further, he indicated that, in the view of the Corporation, a reasonable level of equity would be from $25 million to $40 million.

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[*] - *In information supplied to the Committee following the May 3rd Meeting, the President of the Corporation indicated that there had not been a minority survey conducted. (See Appendix V-a)*

Environmental Concerns

In his submission to the Committee (p. 6 - 7), the witness notes that the Corporation has developed "a program of sulphur dioxide emission reduction based on the use of low sulphur coal and the installation of fluidized bed (CFB) technology. In addition, the retrofitting of existing plants with emission reduction/control technology is being studied..."

To a query by the Member for Halifax-Chebucto, the witness explained that, based on CFB technology, he anticipates that the Corporation will exceed the requirements of the Canada-Nova Scotia Acid Rain Agreement by 60%.

Meeting Summary: SEE APPENDIX V

PROVINCIAL TAX COMMISSION

May 10, 1989

The Provincial Tax Commissioner was invited to appear before the Public Accounts Committee to discuss the recent changes in tax exempt status for Nova Scotia Indians and, in particular, the allegations that the Tax Commission released confidential budget information in advance to a large provincial grocery retailer, Sobeys Stores Inc. of Stellarton, Nova Scotia. He was accompanied by the Manager-Tax Information and the Solicitor for the Department of Finance.

Tax Exempt Status - Nova Scotia Indians

The Member for Cape Breton South commented, and the witness agreed, that on April 17, the policy held by Sobeys Stores Inc. for Indians residing on a reserve, was to have them present an I.D. card, complete a certificate and then purchase any items, with the exception of tobacco products, on a tax exempt basis.

The Member noted that on April 27, Sobeys issued a directive to its Nova Scotia stores, advising them that "The Nova Scotia Provincial Tax Commission recently changed the regulations regarding the status of Indians purchasing goods tax exempt....Indians must pay the tax to us and they can then apply for a refund to the Nova Scotia Provincial Sales Tax Commission....." (See Appendix VIII-a) Since this policy change was announced as part of the budget on May 4, the Member suggested that some explanation was in order.

It was the Tax Commissioner's view that Sobeys, and not his department had erred as a result of their misinterpretation of existing legislation. He stated that if they had forwarded a copy of the directive to the Commission for confirmation, as directed by the Tax Information Officer, the entire situation could have been avoided. He noted further, that a March 7, 1989 regulation concerning tobacco products could have added to their confusion.

The Member for Cape Breton South noted that, the decision by Sobeys Stores Inc. to make this policy change, was made following telephone conversations with a Tax Commission employee on April 25 and again on April 27. The Member noted further that those involved in the conversations between Sobeys and the Commission were competent individuals. He stated therefore, that it was highly improbable that there was any misinterpretation or confusion. He contended that it was possible that the Commission staff member was privy to, and inadvertently released, information that was contained in the coming budget. The witness strongly disagreed.

At the request of the Member for Kings West, the witness related the experiences of the Commission regarding tax exempt regulations for Nova Scotia Indians. It was, he noted, a very complex situation, in that the wording of the 1974 Statute is restrictive. It was decided, since there are very few retail stores actually on a reserve, to adopt an I.D. card system. However, following the implementation of this system, abuses began, whereby goods were being purchased for resale to non-Indians. This resulted in a considerable loss of revenue for the Province. The Member for Truro-Bible Hill pointed out, however, and the witness agreed, that out of 10,000 native Micmacs, the number involved in abusing the system would be less than 100.

The Member for Halifax-Chebucto moved that representatives of Sobeys be invited to appear at a future meeting of this Committee. This motion carried. (These witnesses appeared before the Committee on May 31, 1989. See pp. 20-22 of this report.)

Provincial Tax Commission Investigations

The Member for Cumberland West queried the witness on the details of the case involving a department employee who was fired, during his investigation of an Amherst convenience store. However, on the advice of the Department Solicitor, the witness was unable to comment. This case was to be heard at an arbitration hearing on May 24.

In response to a query from the Member for Halifax-Chebucto, the witness advised that he will be responding to the Minister of Finance within the next few days on the House Order with respect to the conduct of audits, and practices observed during election or non-election periods.

The Chairman was concerned about the lengthy delay in recovering unpaid tax from Lambert Silo Co. of the province of Quebec. Senior company officials, he noted, have made a statement that they were told by the Tax Commission that they are not required to pay tax. The witness replied that the delay was a result of inadequate information. He noted that on March 29, 1989, he received the required information and the investigation proceeded from that point. The matter should be resolved within the next two months.

The Member for Cape Breton South requested statistics on audits, prosecutions and referrals. (See Appendix VI-a)

Meeting Summary: SEE APPENDIX VI

DEPARTMENT OF THE ATTORNEY GENERAL

Courts and Registries Division

May 24, 1989

The Executive Director of the Courts and Registries Division appeared before the Public Accounts Committee on May 24, 1989, to testify on an issue raised in the 1988 Report of the Auditor General (pp. 117 - 119) regarding the Collection of Fines. The witness was accompanied by the Solicitor for the Legal Services Division of the Department of the Attorney General.

In his report, the Auditor General expressed serious concern over the inadequate methods used in the collection of fines. He recommended that "action should be taken to introduce more appropriate policies and procedures relating to staff duties and responsibilities, standard collection and follow-up practices, and relevant information on outstanding fines."

Outstanding Fines

In response to questioning from the Members for Cape Breton South, Halifax-Chebucto and Cumberland West, the witness advised that the absence of a uniform provincial system was one of the principle reasons for the problem in collecting outstanding fines.

Further difficulty, he noted, arises out of the reluctance of some judges to issue warrants of committal in default of the payment of the fine because they fear they may be charged with false imprisonment. [p. 199 - Hansard Transcript - May 24]

He stated that presently, "the Chief Judge and members of the judiciary, along with representatives of the Courts and Registries Division are currently working on a proposal" as a result of the Hebb case. [p. 194 - Hansard Transcript - May 24] He reported that a pilot project, known as the 'Notice of Motion System', which had been set up in the counties of Lunenburg and Queens had proven to be a success and some adaptation of that system was being studied, with a view to implementing it across the province, hopefully within the next fiscal year.

Staffing, as the Member for Halifax-Chebucto pointed out, was another concern of the Auditor General. The witness advised that a proposal for five additional collection officers had been turned down by Management Board, but, once a thorough package of documentation has been prepared to justify this request, it will be resubmitted. The Member for Kings West felt this was a wise move, because Management Board need to be able to do an in-depth study on such a situation, before making their decision.

The Member for Cumberland West requested that the Committee be provided with a complete breakdown of outstanding fines. Following some discussion on the ethics of providing personal data in this request, a motion was made by the Member for Lunenburg West, (who sat in on this occasion for the Member for Pictou West) to the effect that this information should be provided minus the names and addresses of the individuals involved. The Motion carried. (Note: this information was forwarded to the Committee following the meeting and is available in the Legislative Library with the Committee documentation.)

Write-Offs

The witness, in response to questioning by the Member for Cape Breton South, advised the Committee that, although the amount of $4.4 million was outstanding in uncollected fines on March 31, 1988, the actual amount written off was considerably less and consistent with previous years:

1985 - $205,000
1986 - $247,000
1987 - $259,000
1988 - $283,000

The witness assured the Member for Cumberland West that, of those written off, very few were singularly large fines.

The Member for Kings West advised that fines are never written off until all means of collection have been pursued. He expressed his admiration for the way in which the Courts and Registries Division had been dealing with this important issue.

Retirement Policy

The Member for Cape Breton South inquired as to the methods used by the Courts and Registries Division when approached by employees who have reached retirement age and have requested an extension.

The witness noted that employees of his department, upon reaching the age of 65, are entitled to apply for an extension. He noted that his department prepares the recommendation, and then forwards it to the Office of the Minister. The Member for Kings West advised that the procedure then calls for the Department of Finance to become involved, prior to it being submitted to Management Board and to Cabinet for final approval.

The Member for Cape Breton South was particularly concerned with the position of the Registrar of Deeds, in Sydney, who had applied for, but was denied an extension. He noted that the individual involved was given very short notice of the decision, and to date, no replacement has been found.

The witness agreed to provide the Committee with additional information. See Appendix VI-a.

Meeting Summary: SEE APPENDIX VI

SOBEYS STORES INCORPORATED

May 31, 1989

At the Public Accounts Committee meeting of May 10, 1989, with the Provincial Tax Commissioner, a Motion was passed to invite representatives from Sobeys Stores Inc. to appear before the Committee to discuss the situation surrounding the Health Services Tax exemption for Nova Scotia Indians. (See p. 15 of this report.)

Witnesses included the Comptroller, Assistant Comptroller, Budget Co-ordinator and the Director of Advertising and Public Relations of Sobeys. Also present at this meeting was, as an Observer, the Provincial Tax Commissioner. The Committee reserved the right to question him, if necessary.

In a prepared opening statement, the witnesses related the history of the situation, from their perspective, surrounding the policy change on tax exemption for Nova Scotia Indians. (See Appendix VIII-a)

Tax Commission Directive

In response to questioning from the Member for Cape Breton South, the witnesses advised that, in the past fifteen years, they have never received written direction from the Tax Commission regarding purchases by native people. Up until this point, they had been guided only by the policy contained in the Health Services Act.

It was as a result of a number of recent enquiries concerning other tax exempt customers, i.e. fishermen, animal breeders, commercial farmers, that they decided to issue a memo to their stores, clarifying the policy. They felt that the memo should include all tax exempt customers, including Indians. Therefore, they contacted the Provincial Tax Commission in an effort to get some direction.

The direction given was a substantial change in policy and, during a lengthy conversation with the Tax Information Officer, the Assistant Comptroller of Sobeys was assured that this information was correct. It was indicated to him that the reason for the change was to "clamp down on Indians not living on the reserve, by making everyone pay tax and then prove otherwise." (See Appendix VIII-a, Exhibit IV)

Sobeys then composed a memo, dated April 27th, and circulated it on May 2 to all its stores. They advised the Member for Kings West that the reason they issued this memo so quickly, was that they were concerned the corporation would be liable for any uncollected tax.

On May 4, they noted, concern was raised about the reaction of Indian customers to this change, and in an effort to verify the policy, the Assistant Comptroller of Sobeys again telephoned the Provincial Tax Commission. He spoke with the same Tax Information Officer and read the April 27 memo to him. This person told him the memo was appropriate and accurate, noting that he had also confirmed this with other individuals in his department. In a letter dated May 5 (See Appendix VIII-a, Exhibit V), the Sobeys representative requested further clarification. The Tax Information Officer acknowledged this letter on May 12. (See Appendix VIII-a, Exhibit VI)

Responsibility

On May 10, the Provincial Tax Commissioner put the responsibility for this situation firmly on Sobeys. However, he noted in a letter to the Committee on May 30, that he had since learned that there had been an error in interpretation, on the part of the Commission staff member.

Both the Member for Halifax-Chebucto and the Member for Cape Breton South were concerned about the obvious differences in testimony given by the Provincial Tax Commissioner on May 10, and the representatives of Sobeys Stores Inc. on May 31.

At the May 10 meeting, the Tax Commissioner insisted that his staff member had advised Sobeys to forward their April 27 memo to the Commission for confirmation, prior to issuing it to their stores. [p. 148 - Hansard Transcript - May 10] On May 31, however, Sobeys denied this request had been made, and detailed the entire situation as they saw it. The Tax Commissioner refused to accept their view in this regard.

Due to such disputed facts, the Members for Cape Breton South, Halifax-Chebucto and Cumberland West reiterated earlier statements that the Tax Information Officer in question should be invited to appear before the Committee. They felt that he would be able to clarify the situation further. The Member for Cumberland West made a motion to this effect. The Member for Cole Harbour spoke against the motion and the Members for Halifax-Chebucto and Cape Breton South spoke in favour. The Motion was defeated.

Alleged Budget Leak

The witnesses stated, that in their view, they were not privy to advance budget information. [p. 240-241 - Hansard Transcript - May 31] The Member for Cape Breton South, however, felt that the policy change issued on April 27 was too similar to the contents of the budget, released on May 5, to be a coincidence.

The Member for Kings West felt that there could not have been a budget leak because the information released was not correct. The Provincial Tax Commissioner agreed.

Summary: SEE APPENDIX VIII

TEACHERS' PENSION COMMISSION

June 7, 1989

The Secretary of the Teachers' Pension Commission appeared before the Public Accounts Committee on the above date. He was accompanied by the Actuary of the Commission and a Teachers' Representative.

Unfunded Liability

The principle item of discussion was the growing unfunded liability of the Teachers' Pension Fund, an ongoing problem that was addressed at the last meeting held with Pension Commission representatives, held on May 20, 1987. The Auditor General, in recent years [reports of 1986 (p. 120) and 1987 (p. 141)] has expressed his concern over the unfunded liability.

The witness, in response to questioning by the Member for Cape Breton South, advised that the Commission had, in 1987, prepared a strategy paper, entitled Strategies to Deal with the Unfunded Liability of the Teachers' Pension Fund, as a basis for discussion.

In reply to the Member for Cumberland West, the witness explained that finding a solution to this very complex problem is difficult. "Pension plans are not vehicles which can easily be adjusted or amended....the Pension Plan must be a consistent vehicle for increment replacement." However, the Member indicated his concern that with fewer persons coming into the profession and the increasing age of teachers in the plan, the unfunded liability could become an even more serious problem and the matter should be dealt with immediately. [p. 266-267 - Hansard Transcript - June 7]

The Actuary advised that the longer this situation persists, the more likely it will be that drastic action will have to be taken. To a query by the Member for Antigonish, he noted that, in his estimation, by the year 2010, the government of the day will have to consider various options, including the use of operating funds to pay pensions. Other options would be to increase contributions or decrease benefits. [p. 268 - Hansard Transcript - June 7]

Actuarial Valuations

In his 1987 report (p. 141), the Auditor General recommended that, "actuarial valuations should be performed more frequently than every five years. A three-year interval would appear to be more appropriate." The Commission Secretary advised, in response to a query from the Member for Halifax-Chebucto, that, in light of the Auditor General's recommendation, the Teachers' Pension Act had been amended to reduce the interval as he suggested. The next valuation will take place in 1991. As well, the Commission has adopted a computerized information system which allows for a more efficient collection of data.

Communications with Teachers

There are 15,000 to 16,000 teachers associated with the Teachers' Pension Plan in Nova Scotia. Of major concern to the Member for Cole Harbour, was the way in which teachers were kept informed about the circumstances surrounding their pension plan, particularly the unfunded liability.

The witness advised that the new computer system has enabled the Commission, for the first time, to produce a pension fund statement, which was mailed to all teachers. He noted also, that he annually attends a symposium sponsored by the Nova Scotia Teachers' Union, although he realizes this does not reach a vast number of the persons concerned. He stated that this year, the Commission plans to issue its first annual report, effective July 31 and it should be ready for distribution by the end of the year.

Bill to Amend the Teachers' Pension Act

The witness, in response to the Member for Antigonish, noted that the Commission is unconcerned about repercussions resulting from changes in the amendment to the Teachers' Pension Act, which is currently before the House. The amendment calls for the removal from the Act of the required contribution rate. He mentioned further that this amendment came about as a result of a unanimous proposal put forward by the Commission.

The Actuary stated that, provided there were sufficient safeguards to prevent abuse of this amendment, he could see no problem with it.

Membership - Teachers' Pension Commission

The witness advised that membership on the Commission consists of seven (7) members, including the Deputy Minister of Education as Chairman and three (3) government appointees (currently, a public accountant, the former Auditor General and a medical doctor) as well as, as appointed by the Nova Scotia Teachers' Union at their annual council meeting, two (2) Teachers' Representatives and one (1) Pensioners' Representative.

Summary: SEE APPENDIX IX

BUSINESS CAPITAL CORPORATION

June 14, 1989

The Chairman and the President of the Business Capital Corporation appeared before the Public Accounts Committee to discuss the operation of the Corporation, the state of loans administered by it and remarks made by the Auditor General in his 1988 Report (p. 151-162).

In his opening remarks, the Chairman summarized the Corporation's activities since its inception the previous year. He noted that it has been a successful year and that many Nova Scotian firms have been helped as a result. He expressed the wish of the Corporation that, in the coming year, they would be able to have more influence with firms from outside of the province.

Organizational Policies and Procedures

The Chairman noted that the board of the corporation is comprised of 28 persons, some new members and some who had previously been with the Resources Development Board. The board works on a system of committees with one designated for each of the following areas:

-manufacturing and resources
-tourism
-venture capital committee
-park properties
-finance

The President reports to the Board, while the Chairman reports directly to the Minister of Small Business Development.

The President, in reply to a question from the Member for Cumberland West, stated that the budget process consists of the Corporation making application to Management Board for a capital fund which, this year, amounted to $20 million.

He noted further that the lending rate currently is twelve per cent but is adjusted, according to the rate charged the Corporation by the Department of Finance. A modest increase is placed on that figure to arrive at the lending rate. The rate the Department of Finance charges is based on long-term borrowing. [p. 314 - Hansard Transcript - June 14]

The President noted that every effort is made to keep accounts up-to-date, and before foreclosure is considered, the socio-economic impact on the community is taken into account. The Corporation sees itself more as a development agency than a financial institution.

In response to the Member for Kings West, he stated that the Corporation deals only with those projects between $250,000 and $20 million.

Grand Pre Winery

Of concern to the Member for Cape Breton South, was the current situation surrounding the receivership of the Grand Pre Winery. In explanation, the witness advised that Clarkson Gordon were appointed receivers in February and had been operating the winery since then. To a query by the Member for Cumberland West, he replied that the receivers had received a total of $25,000 in fees to date. They had considered and rejected ten to twelve proposals and an additional public request for proposals closed last month. These were currently being considered and it was anticipated that they would be completed by the end of June.

He noted that the province has invested $908,000 in Grand Pre Winery, which consists of a loan of $572,000 plus interest of $86,000. Under the Venture Capital Program, under which there is no legal obligation for the borrower to repay, an additional $250,000 loan was granted. [p. 291 - Hansard Transcript - June 14]

Suttles and Seawinds

In response to questioning by the Member for Cumberland West, the witnesses advised that prior to April 1, 1989, when Suttles and Seawinds became the responsibility of the Corporation, there had been no involvement on the part of the Chairman or President.

The Chairman noted however, that recently they had been involved in the sale of one of the company's remaining assets, a property in New Germany, N.S. which had been put up for public auction by the Sheriff of the County of Lunenburg. He noted that it had been purchased by the owner of Suttles and Seawinds for $50,000. With a loan of $89,000 outstanding, this left the province with a loss of approximately $40,000. [p. 292 - Hansard Transcript - June 14]

Hospitality Ventures Ltd.

The Member for Cumberland West asked for details surrounding the above-mentioned account. The witness noted that under the Industrial Loan Act, the net loss to the province under the Industrial Loan Act for this account was $628,000 ($457,000 loan plus interest arrears of $121,000 and an additional $50,000 loan under the Venture Capital Program). It sold for $302,000, leaving a net loss of $326,000. Municipal taxes and reality fees amounted to a total of $52,000. [p. 292-293 - Hansard Transcript - June 14]

The witness stated that he was unable to explain how this situation came about because it developed prior to the forming of the Business Capital Corporation. He agreed with the Member that the same staff are on the Business Capital Corporation as were on the Resources Development Board, the previous agency.

Portland Estates

[See also pages 7 and 38 of this report.]

The witness stated, in response to the Member for Cumberland West, that as of March 31, 1989, Portland Estates owed the province $456,339.68 and were five or six years in arrears. He noted further that Portland Estates is administered by the Department of the Attorney General and that the Corporation merely maintains its financial records.

The Chairman requested that the Corporation provide the Committee with an update on recent developments surrounding Portland Estates.

MER Ventures Ltd.

The Member for Cape Breton South noted that as of June 30, 1988, this account was doubtful in the amount of $475,000. He asked for an update on this account. The witness advised that the $475,000 is still considered doubtful and that as an equity loan under Venture Capital Corporation, there is no accumulated interest, nor is there a legal requirement for repayment. He noted that the funds are invested as follows:

$ 50,000 - JCR Fisheries Limited - Dec. 1984
$150,000 - Clearwater Seafoods - Jan. 1985
$ 25,000 - Cape Ann Seafoods - July 1985
$250,000 - Clearwater Seafoods - July 1985

The Member for Cole Harbour pointed out, and the witness agreed that this debt to the province was assumed by the purchaser. The previous owners had applied for and received the loans and that Clearwater itself had never directly borrowed money from the province. [p. 309 - Hansard Transcript - June 14]

Venture Capital Program

The Member for Halifax-Chebucto commented that the failure rate under this plan of 69%, as indicated by the Auditor General, whether considered a conservative or generous estimate, is still quite alarming. She noted that in her view, as a Member of the Legislature, this investment approach warrants very serious study.

Meeting Summary: SEE APPENDIX X

AUDITOR GENERAL OF CANADA

August 30, 1989

In his 1988 Annual Report (Chapter 10), the Auditor General of Canada referred to a serious misuse of the Offshore Development Fund....federal monies provided to the Province of Nova Scotia (under the terms of a mutual agreement) to support, in specified terms, offshore oil and gas exploration and development.

The Committee reached the decision to invite the federal Auditor General, after the provincial Auditor General expressed an opposite view. *[See Page 4 of this Report]*

After having first apprised the federal Public Accounts Committee of the state of the Offshore Development Fund, the federal Auditor General appeared before this Committee on Wednesday, August 30, 1989. He was accompanied by the Assistant Auditor General of Canada and the Principal, Audit Operations. On the day prior to the meeting, the witnesses took the opportunity to tour the sites which were singled out for comment in the aforementioned report. Following the tour, the Auditor General maintained the same view as expressed in his Annual Report.

Among the projects that were discussed:

Sheet Harbour Industrial Park

The witnesses indicated that, based on documentation provided to them by the parties involved, the audit team concluded that the Sheet Harbour Industrial Park was unrelated to offshore development. All documentation in their hands referred to the landfall site as Country Harbour and not Sheet Harbour.

The Member for Pictou East pointed out that, although Country Harbour had been originally considered, a decision had been made as far back as 1987, that made Sheet Harbour the most ideal location. The Auditor General stated that, had that information been made available to his team, their conclusions would have reflected it; however, despite requests for all pertinent data, they were not informed of this change of plan.

East and West Petpeswick Bridges

To a query by the Member for Cumberland West, the witness noted that the circumstances surrounding the above bridges have caused federal officials some embarassment and, in his view, the situation still has not been adequately explained. He noted that the federal Minister of Mines, Energy and Resources has announced, as a result, that no further projects would be approved without proper justification.

The Member for Pictou East stated categorically that there were roads leading to the bridges in question, and one of them (although unpaved) was an all-weather highway. The witness, referring to his tour of the site on the day prior to the meeting, reiterated his stand that the 'all-weather highway' was, in fact, a road suitable for construction use. He noted that a sign on the road indicates that it is not usable.

When questionned by the Member for Cole Harbour on the expertise of his audit team in determining road construction techniques and standards, the witness replied that the audit team was comprised of a petroleum engineer, geologist, mining engineer, lawyer, regional development specialist, public administration specialist and chartered accountants, plus an advisory committee of outside experts.

Unauthorized Salaries

In response to questionning from the Member for Cape Breton South, the witness stated that the unauthorized expenditure for salaries was for vocational school teachers in the following disciplines: welding, drafting, cooking, denture technician, photography and stenography. He noted that, other than welding, these fields appeared to be unrelated to the offshore. He further noted that, in his view, this $20 million should be repaid to the Offshore Development Fund and reused for eligible projects.

The Member for Pictou East insisted that the offshore agreement did not stipulate that salaries are ineligible. The witness disagreed and noted that this is clearly stated in the agreement, immediately above the signatures of the provincial and federal co-chairman.

South Dartmouth Residential Development - Sewer Line

The Member for Cumberland West raised the above issue. To his queries, the witness stated that this item was presented as a subproject of the Woodside Industrial Park although his audit team were advised by the City Engineer that there was no connection. He noted that, to date, the federal government had not requested the province to repay these funds.

Planning Details

The witness responded to a query by the Member for Cape Breton South, by saying that the provincial government did not provide an overall plan of their use of the fund and their substantiations were incomplete and did not link the project to the offshore.

Response to Accusations

The federal Auditor General expressed concern over allegations that his office acted improperly and over what he felt were personal insults by government members of the committee. He suggested that, within the fullness of time, an apology would be in order.

This view was reiterated in the print and electronic media and the general public through radio talk shows and letters to the editor of local newspapers.

In response, the Member for Pictou East submitted a full page explanation in local newspapers in which he expressed the view that he and the Members for Cole Harbour and Kings West were fully justified in the stance they took with the Auditor General of Canada.

The Auditor General of Canada forwarded additional information at the Committee's request, shortly after the above meeting. See Appendix XI-a.

Meeting Summary: See APPENDIX XI

NOVA SCOTIA RESOURCES LIMITED

November 15, 1989

The President of Nova Scotia Resources appeared before the Public Accounts Committee on Wednesday, November 15, 1989. He was accompanied by the Director of Marketing and Business Development and the Treasurer. This group last appeared before this Committee (on three occasions) in 1987.

Panuke and Cohasset

Oil Production

Through questioning by the Member for Cape Breton South, the Committee learned that there had been little progress in bringing oil ashore from Panuke and Cohasset since 1987. At that time, during his appearance before the Committee, the witness had estimated that production would begin in 1988; however, that oil is now estimated to come ashore in mid-1992. Some Committee Members expressed concern about the accuracy of this prediction. To queries from the Member for Kings West and the Member for Hants West, the witness noted that the price per barrel was the only variable that could prevent oil from coming ashore in 1992. He noted that it would have to drop considerably for this to happen, and added that the price per barrel is expected to range from $20 to $27 per barrel throughout the 1990's.

Controlling Interest

In his opening remarks, the President stated that Nova Scotia Resources Limited owns 38.75 per cent of Panuke, while the remainder is owned by Iona Resources Limited. In the Fall of 1988, NSRL entered into discussions with Iona, in anticipation of a joint participation in the development of both fields. For the past several months, NSRL and Iona have been negotiating a commercial arrangement with LASMO plc of England. The witness declined to comment on these negotiations.

The witness advised the Member for Antigonish that NSRL obtained 100 per cent interest in the Cohasset field by purchasing the remaining shares from Mobil, PetroCanada and Canterra. He declined to indicate the cost involved, but stated that the purchase was financed basically through the Euro Commercial paper program.

Iona Resources Limited

The Member for Cape Breton South was concerned for the welfare of the above company, in that, he feared it would be 'squeezed out' of the business by a combined force of Nova Scotia Resources Limited and LASMO plc. The witness refused comment on any aspects of their business arrangements with Iona Resources Ltd., citing sensitive business negotiations as the reason.

Finances

Debtload

The witness, in reply to questions from the Members for Cape Breton South and for Antigonish, stated that the total debt of NSRL was $128.1 million and that financing was basically through the Euro Commercial Paper Program, which is guaranteed by the Province of Nova Scotia to $150 million (U.S.).

The Member for Cumberland West expressed concern that NSRL's financial record is such that, without the guarantee of the Province of Nova Scotia, it would be unable to borrow money from any bank. The witness disagreed strongly.

The Member for Halifax-Chebucto was very concerned that NSRL was conducting its business based on an accord that had never been proclaimed. The witness indicated that in his view, this would take place soon.

Deregulation

The Member for Hants West expressed concern over the effects of deregulation on the Nova Scotia operation. He was assured that Nova Scotia gas will be competitive and there are no indications that western and American markets will adversely effect us.

Alternate Energy Investments

The witness, in reply to a query from the Member

> for Hants West, stated that NSRL in recent years had been supportive of research into coal-oil fuel, which produces substantially less emissions. Although still at the pilot project stage, if this source of energy proved viable, NSRL would seriously look at making a commercial investment. NSRL has been offered an opportunity to invest (up to 25%) at that time.

The Annual Report of Nova Scotia Resources Limited was released in mid-December 1989. Copies are available in the Legislative Library.

In response to queries for information relating to the organization of NSRL and the compensation of its President, the witness forwarded additional material following the meeting. *[See Appendix XII-a]*

Meeting Summary: See APPENDIX XII

PORTLAND ESTATES LIMITED

January 17, 1990

Several attempts had been made over the previous nine months to arrange a meeting with the President of Portland Estates Ltd. Two scheduled appearances, November 1 and December 13 were cancelled, at the request of the witness, with very little notice. Therefore, on December 13, 1989, the Committee met and agreed that, should the witness refuse to appear on January 17, 1990, immediate steps would be taken to subpoena him. Fortunately, this proved unnecessary.

Meeting Proceedings

The President of Portland Estates Limited was fully advised, in writing, of the standard format used by the Public Accounts Committee at its meetings. However, he chose to disregard this advice by first causing the meeting to be delayed for several minutes and then, requesting much more of the Committee's time than that which is allotted to witnesses for their presentations.

In replying to the questions of Committee Members, the witness provided few direct responses. He chose instead to use this forum to verbally attack Committee Members and the provincial Auditor General. He did not provide, as was the original intent of this hearing, a reasonable accounting of the $8.5 million in public funds which Portland Estates has received since 1980, and which the Auditor General has stated, cannot be recovered.

In an effort to be co-operative, the Member for Kings West offered his time to the witness to enable him to complete his presentation. The witness still found this amount of time insufficient to allow him to finish, and requested that the meeting be extended beyond its normal adjournment time. The Member for Halifax-Needham moved that the Committee adjourn at its usual time, and the Member for Hants West seconded the Motion. The Motion passed unanimously. *[Hansard Transcript - January 17 - p. 496]*

Public Accountability

A few days after the meeting, the witness forwarded material, prepared by his auditor, which in his view, provides justification for the $8.5 million noted above.

[See Appendix XIV-a] However, as the Committee was not given the opportunity of posing questions directly to the witness or his auditor on the information provided, public accountability is still in question.

The Committee feels that this effort was largely futile and acknowledges that, at this time, no useful purpose would be served by having the witness reappear. The Members for Halifax Chebucto and Halifax-Needham, however, stated publicly that they would welcome a fullscale inquiry into the entire Portland Estates situation from the mid-1970's to the present day.

The President of Portland Estates forwarded additional material to the Committee on January 22, 1990. *[See Appendix XIV-a]*

[See also: pages 7 and 30 of this report.]

Meeting Summary: See APPENDIX XIV

APPENDICES

APPENDIX I
Preliminary Meeting

Summary
April 12, 1989

plus:

I-a...Letter from the Leader of the Opposition outlining suggestions for witnesses.

APPENDIX I

SUMMARY

Preliminary Meeting
Wednesday, April 12, 1989
10:00 - 10:38 a.m.

Location: Legislative Chamber
Province House

Attendance:

Mr. Roderick MacArthur, Q.C., A/Chairman
Hon. Ronald Giffin, Q.C.
Hon. Donald P. McInnes
Hon. George Moody
Hon. George Archibald
Dr. William Gillis, M.L.A.
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Replacement:
Mr. Leroy Legere, M.L.A. replaced Hon. G. David Nantes

Ms. Dianne Stillman, A/Committee Secretary

Committee Business

Mr. Roderick MacArthur, Q.C., Chief Clerk of the House, brought the meeting to order. Following the unanimous election of Dr. William Gillis, M.L.A. as Chairman, Mr. MacArthur vacated the Chair.

Upon assuming the Chair, Dr. Gillis:

1. called for a vote on the nomination of Hon. George Archibald as Vice-Chairman. Mr. Archibald was unanimously elected to his third term.

2. recommended the reappointment of Ms. Dianne Stillman as Committee Secretary. All agreed.

3. brought to the attention of the Committee, two recommendations concerning the Standing Committee on Public Accounts which appear in the 1988 Report of the Auditor General.

4. made note of the list of agenda suggestions, contained in a letter to the Committee Secretary by the Leader of the Opposition and called for suggestions by the Government and Third Party Members.

Government Members agreed with the proposals and had no further suggestions. The Member of the Third Party verbally made two additional suggestions (President, Portland Estates and Auditor General of Canada).

PROPOSED WITNESSES

1. MR. O. PAUL CORMIER, AUDITOR GENERAL (N.S.)

Mrs. Alexa McDonough: commented that this Committee should be expressly concerned about (a) the lack of independence of the Auditor General, and (b) the practice of hiring private auditors to perform the audit on the financial statements of the Province.

Mr. Vincent J. MacLean: commented that Mrs. McDonough's concerns had been raised by the Official Opposition in the House and that as Mr. Cormier is generally the first witness to appear before the Committee, they could be dealt with at that time.

Hon. George Moody: agreed with Mr. MacLean.

The Chairman: recommended that, as is customary, Mr. Cormier be invited to appear for the first two meetings of the Committee and for a third at a later date, if it should be necessary. He suggested Mrs. McDonough could bring this topic up at those meetings.

2. MR. LOUIS COMEAU, NOVA SCOTIA POWER CORPORATION

3. MR. ERIC LAVERS, PROVINCIAL TAX COMMISSIONER

4. MR. NORMAN MACNEIL, BUSINESS CAPITAL CORPORATION

5. REPRESENTATIVES OF THE TEACHERS' PENSION COMMISSION

6. **REPRESENTATIVES OF THE DEPARTMENTS OF THE ATTORNEY GENERAL AND THE SOLICITOR GENERAL RE: Overdue Fines**

Hon. Ronald Giffin: suggested that the person from the Department of Finance[2] who deals with write-offs, should also be invited to appear.

The Chairman: directed the Secretary to look into Mr. Giffin's suggestion.

7. **MR. PETER OUTHIT, NOVA SCOTIA RESOURCES LTD.**

8. **REPRESENTATIVES OF THE PURCHASING AGENCY**

9. **MR. ALLAN STOCKHALL, PRESIDENT, PORTLAND ESTATES**

10. **REPRESENTATIVES OF THE NOVA SCOTIA LOTTERY COMMISSION AND THE PROVINCIAL REPRESENTATIVE ON THE BOARD OF THE ATLANTIC LOTTERY CORPORATION**

In addition...

Mrs. Alexa McDonough: suggested that Mr. Kenneth Dye, Auditor General of Canada be invited to appear before the committee to discuss his concerns about the use of the Offshore Development Fund, particularly since they differ so dramatically from the views of the provincial Auditor General.

Hon. Ron Giffin: expressed his concern that there may be a problem concerning the protocol of such a visit and it would be his preference to make an informal inquiry.

Hon. George Moody: expressed his concern that the protocol of the situation should be checked out prior to the invitation so as to avoid causing Mr. Dye any embarrassment. Further, it was his view that this topic should first be discussed with Mr. Cormier.

---

[2] *The Committee Secretary reported that the Department of Finance was unable to have representation at this meeting due to the sudden and very serious illness of the staff member responsible for write-offs of fines.*

Hon. George Archibald: suggested that this was a matter for the federal Public Accounts Committee to deal with.

Mr. Vincent MacLean: stated that some clarification is required of the views of both the federal and provincial Auditors General.

The Chairman: suggested that, if it was the wish of the committee, he would be willing to diplomatically approach Mr. Dye to determine if it is within the bounds of protocol to invite him to appear, should the Committee wish him to do so.

Mrs. Alexa McDonough: made a motion to the effect that the Chairman contact Mr. Dye to determine if it is within the bounds of protocol for him to appear before a provincial body and if so, to invite him. This motion was defeated.

Mr. Vincent MacLean: made a motion to the effect that the Chairman ascertain whether it would be appropriate for the Auditor General to appear before the Committee and then report back to the Committee. This motion carried.

Other Business:

The Chairman suggested that the Committee meet on Wednesdays, as is traditional, from 9:30 a.m. to 11:30 a.m. All agreed.

Meeting adjourned: 10:38 a.m.

* * * *

Following the Meeting, the Committee Secretary contacted witnesses by telephone and provided them with written confirmation for the weeks, April 19, 26 and May 3, 10, 17, 24, 31 and June 7. She prepared a tentative schedule and distributed it to Committee members.

* * * *

APPENDIX I-a

Nova Scotia

Leader of the Opposition

Suite 1009 Centennial Building
1660 Hollis Street
PO Box 723
Halifax Nova Scotia
B3J 2T3

902 424-3281

April 11, 1989

Ms. Dianne Stillman
Past Secretary
Public Accounts Committee
3rd Floor
Dennis Building
1740 Granville Street
Halifax, Nova Scotia
B3J 1X5

Dear Ms. Stillman:

On behalf of the Official Opposition, I would like to submit the following as an initial list of witnesses and/or topics for discussion at meetings of the Public Accounts Committee:

1. Mr. O.P. Cormier, Auditor General;

2. Senior official, Nova Scotia Power Corporation;

3. Persons/issues relating to the Provincial Tax Commission;

4. Persons/issues relating to the Nova Scotia Business Capital Corporation;

5. Persons responsible for overdue fines, Department of the Attorney General/Solicitor General;

6. Mr. P.A. Outhit and other senior officials of Nova Scotia Resources Ltd.;

7. Chairman of and the actuary for the Nova Scotia Teachers' Pension Commission;

8. Persons responsible for the Purchasing Agency;

.../2

9. Representatives of the Nova Scotia Lottery Commission, including Nova Scotia's representative or representative(s) on the Board of Directors of the Atlantic Lottery Corporation.

Yours Sincerely,

Vincent J. MacLean

/pl

cc: William Gillis, MLA
Ross Bragg, MLA

APPENDIX II

Office of the Auditor General

Meeting Summary
April 19, 1989

plus:

II-a...Material provided by the
Auditor General following
above meeting.

SUMMARY

Meeting of
Wednesday, April 19, 1989
9:30 - 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. Donald P. McInnes
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Replacements:

Mr. Al Mosher, M.L.A. replaced Hon. George Archibald
Mr. Guy Brown, M.L.A. replaced Mr. Ross Bragg, M.L.A.

Ms. Dianne Stillman, Committee Secretary

Witnesses:

Mr. O. Paul Cormier, Auditor General
Mr. Roy Gunn, Deputy Auditor General
Mr. James Butler, Assistant Auditor General

Committee Business

Dr. William Gillis, M.L.A. opened the meeting by introducing the witnesses and invited Mr. Cormier to make an opening statement.

Mr. Cormier's statement focused on the role his department played in the federal audit of the Offshore Development Fund.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Cormier:
- why he was opposed to Mr. Dye's appearance before this Committee.	- he is not necessarily opposed. He would like to be in attendance. He felt K. Dye's presentation was "incomplete and overplayed".
- if he had made enquiries of Confederation Life as to how much Centennial Properties paid for the Joseph Howe Building OR how much Confederation Life would have sold it to the Government of Nova Scotia for.	- he did not have the right to make enquiries of third parties; and was restricted to files of government department or agency.
- if he had been aware that the government, as tenant, is responsible for the total maintenance of the Joseph Howe Building.	- he was "somewhat uncomfortable with it".
-commented that Mr. Cormier was not able to assess whether the government got the best deal available, despite statements in his Report of 1988.(p .146)	- it was not his responsibility.
Mr. Brown:	
-requested that Mr. Cormier provide the Committee with information pertaining to all studies, surveys and audits performed by his department in relation to government office space requirements and to include the names of buildings.	- his department did not do a complete survey but will have data available for Committee by next meeting.
- why the government of Nova Scotia is paying over $27/sq. ft. for a Class B. building when a Class A averages $26.20/sq. ft. (A.G. Report, p. 138)	-will report back with more precise figures.

Questions/Comments by Members:	Replies:
THIRD PARTY	
Mrs. McDonough:	Mr. Cormier:
- if he would agree that this Committee would have been irresponsible to have ignored Mr. Dye's comments.	- in his view, the Committee should speak with senior public servants in Nova Scotia first.
- to comment on why, in his report, he was not critical of the 115% increase in rental costs, 37% of which was for office space when there was only a 5% increase in the civil service.	- much of this was as a result of an expansion of services associated with the expansion of departments and services associated with them, i.e. the Attorney General and Solicitor General. He also stated that some departments had to be relocated to rental space while government owned buildings (i.e. the Provincial Building) underwent renovations.
-requested Mr. Cormier to provide actual figure comparing increase on rentals of provincial government to increase cost of rental space in metro in same period.	-agreed to bring this to the next meeting.
GOVERNMENT	
Hon. Mr. Nantes:	
-commented that it was his understanding that the Joseph Howe Building was a Class A building when purchased.	-it was better than some B's but not as good as some A's.
- if he felt that the numbers quoted last year in indicating the building's worth at $62 million were misleading.	-agreed.
- if given the interest rate environment, he would consider the building more valuable today.	-yes, in some respects.

Questions/Comments by Members:	Replies:
Hon. Mr. Nantes:	Mr. Cormier:
- if it was a better deal today than when concluded.	-yes.
Hon. Mr. Moody:	
-commented that air quality and working conditions are major factors in choosing office space and asked if he agreed.	-yes. He further commented that Nova Scotia should increase its property owned over property leased.
- what ratio of buildings the government should own or lease.	-not for him to say, but Nova Scotia is presently far below average.
- if the increase in office space was attributable in large part to expanding facilities of overcrowded staff.	-yes. For example, the Civil Service Commission who were in the Johnston Building.
- asked his view of the new tendering process.	-favorably impressed.
Hon. Mr. Giffin:	
- what the "F" in FCA stands for; if the CA exams are provincial or federal; if an auditor needs anything other than a CA; and, if a national organization sets a code of ethics for CAs in Canada.	-"fellow"; exams are national; no additional requirements other than a combination of exposure and on the job training; code of ethics are set provincially but are almost identical nationwide.
- if the accounting profession is self-disciplined.	-yes.
- if code of ethics demands a high degree of accuracy in obtaining information.	-yes; however, differences of opinion do arise and are discussed with all parties involved for clarification.
- if he ever had occasion to change his opinion after one of these discussions.	-yes, often.

Questions/Comments by Members:	Replies:
Hon. Mr. Giffin:	Mr. Cormier:
- if he had ever used video presentations such as the federal Auditor General; and, if the ethical requirement of the accounting profession would apply to such videos.	-no; yes.
-asked him if he had expressed concern that an inaccurate impression had been created over the Petpeswick bridges.	-yes...presentation unbalanced.
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. Maclean:	
- when he did the audit on the Joseph Howe Building.	-late 1987/early 1988.
- for the name of his legal consultant.	-rather not comment.
- what the $8.57 management fee covered.	- will provide that information at the next meeting.
- to clarify the situation surrounding the purchase OR lease/purchase of One Government Place.	- will provide that information at the next meeting.
Mr. Brown:	
- what research was done at the time of purchase and leasing of the Joseph Howe Building.	-will provide that information at the next meeting.
THIRD PARTY	
Mrs. McDonough:	
-requested him to provide a list of leases that were renewed twice and details.	-no reply

Questions/Comments by Members:	**Replies:**
Mrs. McDonough:	Mr. Cormier:
- to give information, in writing, to the Committee on any commitments he may be aware of to acquire more space in existing buildings or those under construction.	-no reply.
- if the new tendering practices were sufficient and adequate to preclude another situation like the Joseph Howe Building.	- although he had not looked at it in operation, it looks sensible and comparable to policies in other provinces.

Meeting Adjourned: 11:31 a.m.

APPENDIX II-a

Nova Scotia

Auditor General

PO Box 793
Halifax, Nova Scotia
B3J 2V2

April 25, 1989

Dr. J. William Gillis, MLA
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

At the April 19, 1989 meeting, several requests for additional information were made by members of the Committee, all relating to the article in my Annual Report on the Department of Government Services - Property Management. The following seven schedules contain this information.

Schedule 1 -	Available Office Space - June 1987.
Schedule 2 -	Joseph Howe Building Assessment.
Schedule 3 -	Leases renewed twice between 1982-83 and 1987-88.
Schedule 4 -	Joseph Howe Building - Operating Expenses.
Schedule 5 -	Committments for Space.
Schedule 6 -	Comparison Space Costs Province vs. General Public.
Schedule 7 -	Comparison Joseph Howe lease payments to Class A rentals.

I trust these schedules contain the information as requested, but should there be additional information or clarification required, I shall be only too pleased to oblige.

Yours very truly,

O.P. Cormier

O.P. Cormier
Auditor General

OPC/nm

Schedule I

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE RE: PROPERTY MANAGEMENT

AVAILABLE OFFICE SPACE - JUNE, 1987

Buildings (other than Joseph Howe) with more than 25,000 square feet of available space in the Halifax central business district as at June, 1987 as published by Commercial Leasing and Brokerage Limited.

Building Name	Age	Vacant Space (sq. ft.)	Asking Rate per square foot
Maritime Centre	1977	52,447	$17.00 - $17.50 + $6.98 estimated expenses (1987)
Toronto Dominion	1977	40,535	$11.00 - $12.00 + $8.50 estimated expenses (1987
Bank of Commerce	1977	30,835	$13.00 + $6.95 estimated expenses (1987)
Barrington Tower	1971	29,085	$13.00 + $8.26 estimated expenses (1987)
Cogswell Tower	1975	38,035	$13.00 + $8.26 estimated expenses (1987)
Founder's Square	1986	98,110	$18.50 + $7.00 estimated expenses (1987)
Central Trust	1985	92,336	$18.50 - $19.50 + $6.70 estimated expenses (1987
Purdy's Wharf	1985	26,821	$19.50 + $9.57 estimated expenses (1987)

Schedule 2

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE
RE: PROPERTY MANAGEMENT

JOSEPH HOWE BUILDING ASSESSMENT

- Properties are assessed every 3 years by the Department of Municipal Affairs.
- 1987 and 1990 are assessment years.
- 1987 assessment used a base date of January 1, 1986
- For commercial properties, 1987 assessment used actual 1985 income data.
- 1987 assessment of Joseph Howe Building was $11,041,000.
- 1988 assessment was appealed by owners.
- A review of the assessment by Municipal Affairs determined that errors had been made in the calculation of the 1987 assessment for the property.
- Appeal resulted in 1988 assessment of $10,572,600. Based on 1985 income data.
- Assessment is unchanged for 1989.

Schedule 3

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE

RE: PROPERTY MANAGEMENT

RE: LEASES RENEWED TWICE DURING 5 YEAR PERIOD 1982-83 TO 1987-88.

- 3 year leases were not unusual during that period. Certain of the larger buildings would have separate leases for individual government offices.

- Obtaining details on all leases renewed twice would be time consuming for Department of Government Services staff, because the information is mostly in dead storage files.

- Examples of major leases renewed twice during the period and details are as follows. All figures are net rents.

Building	**Date and Rate per sq. ft.**		
Maritime Centre	Prior to April/82 $7.35	April/82 $14.00	March/84 $16.00
Centennial Building	Prior to Oct/83 $7*	Oct/83 $10.25	Oct/86 $11
Terminal Road	Prior to June/84 $9.25	June/84 $16.90	June/87 $19.27

* Actual rate was $11.05 gross. Department of Government Services staff estimate the net rent would have been approximately $7 per sq. ft.

Schedule 4

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE

RE: PROPERTY MANAGEMENT

JOSEPH HOWE BUILDING - OPERATING EXPENSES

- Operating expenses of $8.57 per square foot used in the 1988 Report of the Auditor General were budgeted expenses for 1988.

- 1988 actual operating expenses (audited) of $8.62 per square foot included the following:

Electricity (building common space)		$ 26,269
Fuel		54,687
Insurance		7,988
Management fees		127,693
Professional fees		7,000
Repairs and maintenance		
Building	$ 49,727	
Contract cleaning	67,244	
Elevators	20,549	
Garbage removal	2,988	
Heating and air-conditioning	119,696	
Supplies	2,394	
Total repairs and maintenance		262,598
Salaries		35,683
Sundry		6,099
Water		4,799
Sub-total		532,816
Electricity (provincial government tenants)		106,923
Property taxes		345,425
Total operating costs		$985,164

Per square foot

$985,164/114,210 = $8.62

Schedule 5

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE
RE: PROPERTY MANAGEMENT

COMMITMENTS FOR SPACE IN NEW BUILDINGS

- According to Department of Government Services management as of April 21, 1989, the only outstanding commitment is for 30,000 square feet in Purdy's Wharf II at a rate of $20.50 (net) per square foot.

Schedule 6

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE
RE: PROPERTY MANAGEMENT

COST OF OFFICE SPACE IN HALIFAX-DARTMOUTH METROPOLITAN AREA TO PROVINCE VS. COST TO GENERAL PUBLIC.

Note: All figures are gross rents, which include operating expenses

Year	**Province**	**General Public**
1982-83	$9.75/sq. ft.*	$10.30/sq. ft.**
1987-88	$18.70/sq. ft.*	$18.99/sq. ft.***
Increase in costs over 5 years	91%	84%

NOTES:

* As reported in 1988 Report of the Auditor General (p.138)

** From "1983 Survey and Inventory of Commercial Space Halifax Metropolitan Area". Published by N.S. Department of Development. (p.7)

*** From "1988 Survey and Inventory of Commercial Space Halifax Metropolitan Area." Published by N.S. Department of Industry, Trade and Technology. (p.6)

Schedule 7

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE
RE: PROPERTY MANAGEMENT

COMPARISON OF COST OF LEASE PAYMENTS FOR JOSEPH HOWE BUILDING WITH COST OF "CLASS A" SPACE TO PROVINCE.

Cost/sq.ft. Joseph Howe Building

Rent payments	$18.00
Purchase option	.75
Operating costs (including property taxes)	8.62
	$27.37

$26.20 = Average gross cost to Province of leasing Class A properties (1988 Report of Auditor General - p. 138) made up of:

Central Trust	$25.73
Founder's Square	26.80
North American Life	19.06
Purdy's Wharf	27.09
World Trade Centre	25.36

Cost of 1 Government Place = rent payments of $24 plus operating costs of $9.40 for a total of $33.40.

Some advantages of the two lease/purchase arrangements:

1. Fixes net rent cost to Province for 25 years.
2. Gives Province ownership of land and building at end of 25 years.
3. Location of properties in precinct of Province House has advantage.

APPENDIX III

Office of the Auditor General

Meeting Summary
April 26, 1989

plus:

III-a...Material provided by the
Auditor General following
the above meeting.

SUMMARY

Meeting of
Wednesday, April 26, 1989
9:30 - 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. Donald P. McInnes
Hon. George Moody
Hon. George Archibald
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Ms. Dianne Stillman, Committee Secretary

Witnesses:

Mr. O. Paul Cormier, Auditor General
Mr. Roy Gunn, Deputy Auditor General
Mr. James Butler, Assistant Auditor General

Committee Business

The first item of business was the proposed appearance before the committee of the Auditor General of Canada. The Chairman noted Mr. Dye's willingness to appear, and the Chairman asked for the direction of the committee. Hon. George Moody moved that Mr. Dye not be invited to appear. An all-party discussion followed. The Chairman then called for a vote on the motion. The vote was tied 4-4, in the absence of one honourable member and the Chairman cast a deciding vote. The motion was defeated and the Chairman agreed to extend the appropriate invitation.

Mr. Cormier made a brief statement in relation to material which he supplied to the Committee in response to his previous appearance (April 19).

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Cormier:
- if it is usual to include property taxes in the operating expenses per sq. ft. when leasing a building.	-yes, to the best of his knowledge.
- why the government is paying a $127,000 management fee to Centennial when it is also responsible for the total cost of insurance, property taxes and all services connected with the Joseph Howe Building.	-indicated that that question would best be put to Government Services.
-commented that no other building in town has a similar arrangement; and that he had difficulty with statements in the 1988 Auditor General's Report that indicated that the government got a reasonable deal.	- his report was misinterpreted to some extent. He stated that he did not say that the government got the best deal possible. It would be difficult to determine that based on the limited information he had access to.
Mr. Bragg:	
- why, in data he provided the committee this morning, he compared the Joseph Howe Building, a Class B building, with only Class A buildings.	-noted that there is some confusion on the definition of a Class A or B building. It could be a high B.
-suggested that the Joseph Howe Building was definitely not an A building.	-yes, in terms of life.
-referred to Schedule 7 of the above data and noted that the Joseph Howe Building rate is $27.37/sq. ft. as opposed to Central Trust building at $25.73/sq. ft. He noted that the Central Trust building was also in close proximity to the legislature and was a much nicer building.	- it was not his responsibility to justify these decisions.

Questions/Comments by Members:	Replies:
Mr. Bragg:	Mr. Cormier:
- if he was aware of a similar deal in Ontario (Greymac Affair) which resulted in prosecutions and jail terms.	- he was aware of it but did not see the comparison.
- why his report did not deal with the possibility/ probability of the rental market going completely soft, which appears to be happening at present.	- this was difficult to predict and his department did not attempt to predict anything beyond the 5% percent rate.
- when he requested a buy-back of 5 additional years of university service time toward his pension.	- he first approached the government in 1982 and again in 1983. At that time, the Attorney General and the Department of Finance decided against his request. However, a legal opinion was arrived at in November of 1988 to the effect that the Executive Council had the right to grant this entitlement if they so desired. They did so by Order in Council in early March of 1989. He noted that this privilege was also afforded the President of TUNS, Mr. Clair Callaghan.
Mr. MacLean:	
-referred to section on receiverships in Mr. Cormier's report (p.154) and asked him, of the 34 cases examined, which firm handled 17 of them; also, to provide a complete list of these firms.	-Touche Ross; will provide list.
-referred to p. 160 of Mr. Cormier's report and asked him who was the receiver of the Suttles and Seawinds case; who the receivers were for Halifax Industries; and if the same individual or individuals was involved.	-Coopers and Lybrand, also; and, this is likely the same group. Marcus Wide and Robert Bruce would have been extensively involved.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Cormier:
- to explain how receivers are appointed.	-receivers are appointed by the Resources Development Board.
THIRD PARTY	
Mrs. McDonough:	
-in reference to his pension buy-back, if he considered ensuring that there be some all-party consultation on the decision in order to preserve reality and appearance of independence; she was concerned with the Nova Scotia Superannuation Act.	-no reply. Cited cases in three other provinces (i.e. Newfoundland) where this has been done.
-commented that, if Mr. Cormier had found that a group of less privileged Nova Scotians had been afforded benefits not covered by Nova Scotia legislation, even though they were available in other provinces, he would say they are not entitled; she asked him if he thought there is an appearance of special treatment in his case.	- from his point of view, this was not a special benefit.
-asked him if he found that other government departments were awarding similar benefits in contravention of the Superannuation Act, would he say it could not be done.	- he felt that his arrangement had not been in contravention of the Superannuation Act. He noted that the Executive Council were within their rights to grant his request.

Questions/Comments by Members:	**Replies:**
Mrs. McDonough:	Mr. Cormier:
- to provide the committee with a statement indicating the current status of the John Risley Ventures Capital loan (MER Ventures Ltd.)	-MER are fully reserved for those loans.
GOVERNMENT MEMBERS	
Hon. Mr. Moody:	
-commented that management fee arrangements for the Joseph Howe Building are no different than arrangements for any other buildings rented by the government.	-agreed.
- how he would compare the lease/purchase of the Howe Building with that of One Government Place.	- it was difficult to compare; neither seemed unreasonable in light of the available data.
-commented that increasing the proportion of building owned (as opposed to leased) by government is a good investment for the future.	- a survey of lease/purchase ratios in other provinces lent credence to a policy of moving toward a greater degree of ownership.
Hon. Mr. McInnes:	
-agreed with Mr. Moody's comments on lease/purchase ratio.	
-referred to Maritime Medical Care section, on p. 147 of Mr. Cormier's report and asked him to expand on his comments re the need for more precise guidelines and standards.	- subsequent to audit, he became aware of instances of abuse and difficulty MMC was having in pinpointing them; suggested MMC and Health Services Insurance Commission and medical community attempt to develop guidelines/ standards.

Questions/Comments by Members:	Replies:
Hon. Mr. Giffin:	Mr. Cormier:
- to provide an update on preparations being made to audit universities, hospitals, and school boards.	- his department recently completed an assignment at the Victoria General Hospital and would be doing the seven largest universities later this year.
	-regarding health care, it has been decided to delay audits until Health Commission Report has been released.
	-anticipates doing school grants in 1989.
	-has set aside work in municipalities and community social services because they have increasingly more active audit operations.
-asked if the Agricultural College and the Teachers' College had been audited in the past by the Auditor General.	-yes....every two-three years.
- if he had enough staff to carry out audits.	- last fall Management Board approved two additional staff for 1989-90.
- if he would utilize audit staff who are part of some departments.	-yes.
Hon. Mr. Nantes:	
- to outline his time schedule to audit school boards.	- no firm schedule exists, but hopefully in latter months of 1989.

Questions/Comments by Members:	**Replies:**
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Cormier:
- if he thought the code of conduct for receivers was followed in the cases of Suttles and Seawinds and Halifax Industries Ltd. (A.G.Report, pp. 160-161)	-there is no formal code of conduct for receivers; his department indicated that these two cases did not receive the administrative attention that was due.
-asked if these were the worst of the 34 cases reviewed.	-yes
-asked if Mr. Cormier had been able to determine how or why the particular individual had come to be appointed.	-it was an ad hoc process (see Concluding Remarks, pp. 161-162)
The Chairman:	
-commented that receivers were C.A.s and as such should have been bound by the Rules of Professional Conduct for Chartered Accountants; and asked Mr. Cormier if he had reported their actions to his professional body.	-no. Receivers and liquidators operate separately.
-commented that they are still C.A.s and, as such, have a code; he asked Mr. Cormier to review it to see if it was his responsibility to report these people.	-agreed to do so.
Mr. MacLean:	
-asked if Mr. Cormier brought forth drafts of his report to departments before they go to the legislature.	-audit reports are shown in most cases to the auditee concerned, prior to being tabled.

Questions/Comments by Members:	Replies:
Mr. Bragg:	Mr. Cormier:
-regarding the Joseph Howe Building, asked if it would have been more practical for the government to purchase it directly from Confederation Life and mortgage it.	-in overall concept, it might well have been simpler.
THIRD PARTY	
Mrs. McDonough:	
-if he was aware if government explored possibility of renting space in Roy Bldg. ($13.50/sq. ft.).	-unable to be specific; received impression that other alternatives were not pursued.
-if MER Ventures Ltd. had been in full compliance with all reporting requirements; and if anything had changed since reports of June or November 1988.	-agreed to provide details at next meeting.
-regarding his pension credit ...if there has been a change in legislation since his 1983 request, which was denied.	-cannot answer; legal opinion was made on basis of benefits made to the President and a professor at TUNS.
-requested him to supply copy of legal opinion to the Committee.	-yes...in the form of a letter.
GOVERNMENT	
Hon. Mr. Nantes:	
-since receivers often assume management duties, could their fees also be considered management fees.	-agreed; in many cases, we feel billings should be more specific.
-if it is normal to expect reports to be delayed in such cases.	-regarding Suttles & Seawinds and Halifax Industries, it appeared that the flow of information was not appropriate.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Nantes:	Mr. Cormier:
-if Coopers and Lybrand have a good reputation.	-it is one of the larger national firms, with longstanding background and experience.
-if he would object to the government hiring them for another project.	-no, provided the operating procedures were made clear.

Meeting adjourned: 11:32 a.m.

APPENDIX III-a

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

April 28, 1989

Dr. J. William Gillis, MLA
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

At the April 26, 1989 meeting, several requests for additional information were made by members of the Committee. The following three schedules contain this information.

Schedule 1 - Letter from Deputy Attorney General to Deputy Minister of Department of Finance

Schedule 2 - Names of receivers

Schedule 3 - MER Ventures Limited

I trust these schedules contain the information as requested, but should there be additional information or clarification required, I shall be only too pleased to oblige.

Regarding your request for further information concerning my position relating to the receivers about whom I commented in the section of the article commencing on page 158 of my Annual Report, I am in the process of taking outside advice on this matter. I will report to the Committee at a later date on this item.

Yours very truly,

O.P. Cormier

O.P. Cormier
Auditor General

OPC/nm

Schedule 1

Nova Scotia

Department of
Attorney General

Deputy Attorney General

PO Box 7
Halifax Nova Scotia
B3J 2L6

902 424-4223

File Number

November 7, 1988

Mr. Allan Manuel, C.A.
Deputy Minister
Department of Finance
4th Floor, Provincial Building
1723 Hollis Street
Halifax, Nova Scotia

Dear Mr. Manuel:

As we discussed sometime ago, Mr. Paul Cormier has asked whether the Governor in Council has authority to credit an individual with service as a full-time teacher in a university within the Province for teaching service exceeding five years for the purpose of determining a pension pursuant to the Public Service Superannuation Act.

The authority for the Governor in Council to deem service elsewhere to be service in the public service of Nova Scotia for the purpose of a pension calculation pursuant to the Public Service Superannuation Act is found in Section 18 of that Act. Clause 18(1)(b)(i) provides as follows:

> 18 (1) The Governor in Council, in addition to any other power elsewhere in this Act conferred, may by Order in Council:
>
> (b) determine whether, and to what extent and under what conditions:
>
> (i) service for any employer other than the Province of Nova Scotia shall be deemed to be service in the public service of Nova Scotia; ...

.../2

The authority contained in Section 18 has been used on numerous occasions to make orders in council relating to past service of individuals. I am satisfied that orders relating to specific individuals are authorized by Section 18.

The principal issue in this case is whether the authority in Section 18 is qualified by the provisions of subsection 11(2) of the Public Service Superannuation Act. That subsection provides that a person is entitled to be credited with service as a full-time teacher in a university within the Province "not exceeding five years", if the individual makes an application for the credit and pays the appropriate contributions to the fund. I have canvassed this issue with other lawyers in the Department, and, although there are differing opinions, I have concluded that subsection 11(2) is a minimum entitlement and the Governor in Council has authority under Section 18 to grant an additional credit for service.

In reaching this conclusion, I am mindful that the Governor in Council has given credit for more than five years service at a university outside Nova Scotia (Orders in Council 78-1211 and 88-151). I cannot interpret the statute as permitting the recognition of more service at universities outside Nova Scotia than at universities inside Nova Scotia. It is my opinion that subsection 11(2) confers a benefit on those who have taught in Nova Scotia universities by providing an automatic credit for teaching service upon application and upon payment to the fund. This automatic credit does not preclude the Governor in Council from granting an additional credit in circumstances where the Governor in Council considers that appropriate.

I suspect that service exceeding five years from other jurisdictions has been recognized by the Governor in Council in order to recruit senior administrators and educators for service with the Province. That accommodation is within the authority of the Governor in Council as I see it.

On the other hand, I would be remiss if I did not express a serious reservation about the use of service credits under the Public Service Superannuation Act. That Act provides for a fund to which eligible employees contribute. Contributions required of employees and allowances to which employees are entitled are determined by the Act. Payment of allowances for service not specifically referred to in the statute should be given only in compelling circumstances because such allowances have an impact on the fund in which all contributing employees have an interest.

.../3

When the Government decided to implement measures for early retirement, amendments were made to the Public Service Act, and regulations pursuant to those amendments spell out details of the entitlement. The special retirement arrangements made pursuant to the Public Service Act are expenses paid from the consolidated fund. I think it is significant that the Government did not impose this additional burden on the Public Service Superannuation Fund. When the Public Service Act amendments were enacted, I think the Government recognized that the Public Service Superannuation Fund is not public money to be used for public purposes, but rather is a fund in which employees have an interest.

In conclusion, the views I have expressed regarding the authority for the Governor in Council to recognize teaching service exceeding five years pursuant to Section 18 of the Public Service Superannuation Act are the views of this Department. It is then for the Minister of Finance and his colleagues to determine, as a matter of policy, whether a specific request by an individual for recognition of such service should be granted.

Sincerely yours,

D. William MacDonald

DWM/ltm

cc: Paul Cormier ✓

SCHEDULE 2

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE

RE: NAMES OF RECEIVERS

Reference Annual Report Page 154 first paragraph.

The two firms who performed 5 receiverships each were:

Coopers & Lybrand Limited
Thorne Ernst & Whinney Inc.

SCHEDULE 3

REQUEST FOR INFORMATION BY PUBLIC ACCOUNTS COMMITTEE

RE: MER VENTURES LIMITED

The Committee was advised on June 30, 1988 that loans totalling $475,000 were included in the Allowance for Doubtful Accounts at March 31, 1987.

The information I provided verbally and wish to confirm is that this amount was included also at March 31, 1988 and will be at March 31, 1989.

Additional information provided by the Nova Scotia Business Capital Corporation at November 30, 1988 was to the effect that MER Ventures Limited was "not available to make further investments at this time".

This statement means that the Corporation had invested all of its own equity and the loans from the government in various eligible investments, and had no further funds available for investment, because all of these investments had failed.

APPENDIX IV

Office of the Auditor General

Meeting Summary
May 17, 1989

plus:

IV-a...Material provided by the Auditor General following above meeting.

SUMMARY

Meeting of
Wednesday, May 17, 1989
9:30 - 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. Donald P. McInnes
Hon. George Moody
Hon. George Archibald
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Ms. Dianne Stillman, Committee Secretary

Witnesses:

Mr. O. Paul Cormier, Auditor General
Mr. Roy Gunn, Deputy Auditor General
Mr. James Butler, Assistant Auditor General

Committee Business

The Chairman noted that due to the postponement of the appearance of the Auditor General of Canada until such a time as he has briefed the federal Public Accounts Committee, Mr. Cormier and his staff graciously agreed to be present this morning.

Mr. Cormier did not make an opening statement. The meeting was turned over the members for questionning of the witnesses.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Cormier:
-for update in his report (p. 198) re weaknesses in Dept. of Transportation.	-weakness has been in the hiring of casual employees on short-term intermittent basis; not the same degree of formalized control that you would have for a permanent employee; carried out a surprise payroll distribution to determine if all were bona fide employees about four or five years ago and have suggested that department do so more frequently.
-any basis for inferring that people are being paid for work they are not doing; if none, then why was it mentioned in this year's report.	-surprise count turned up only one instance a few years ago; because under Section 7 of Auditor General Act, he is required to report instances where controls over expenditures and revenues are inadequate.
-commented that despite positive remarks in his report (p. 149) regarding the operation of nurseries, one of those nurseries, Wittenburg, is being closed out this year.	-unaware of decision or reasons to close; primarily studied accounting systems and studied management procedures in selected areas. (Mr. Butler: no indication that Wittenburg was going to close down at time of audit in early 1988.)
Mr. Bragg:	
-re Suttles and Seawinds (p. 159), to name management consultants.	-Woods Gordon.
-to explain why recommendation by management consultants for receivership to be wound down by April 30 did not happen.	-it was the receiver's decision.
-why?	-don't know; did not interview receiver.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. Cormier:
-if he asked the Resources Development Board.	-talked with Board; they were not getting any response; did not think anything would be accomplished by talking to receiver.
-if he knew the total liability to the government in loans for this company; and if there was any recovery.	-approximate figures: loan approved of $350,000...bank guarantee of $200,000...an authorization to finance it to the extent of $800,000. Total: $1,350,000 with recoveries approximately $200,000- $300,000. Net debt: $1.1 million.
-for the name principal of Coopers and Lybrand who was involved with the Halifax Industries receivership.	-Robert Bruce.
-for the names of the principals in the Suttles and Seawinds receivership.	-don't know. All discussions were with staff of the Board.
-commented that since the Suttles & Seawinds issue had been raised at a meeting of the Economic Development Committee, he was concerned that the Auditor General did not fully investigate the matter.	-objective was overall concern with administration of receiverships; presented a list of recommendations to new corporation; recently their audit committee has agreed to basically follow them; suggested the Business Capital Corporation could answer more questions because they have consultants' reports - Auditor General does not.
-commented that as the principal of the company is a well-known Conservative, the receiver is a friend of the Premier, the whole thing was totally mismanaged by the same people who are again running the company, "it smacks of political interference".	

Questions/Comments by Members:	Replies:
Mr. Bragg:	Mr. Cormier:
-asked if he was aware of the NSLC project at Bayers Lake; and if he did an audit of the NSLC last year.	-aware of the project, not of the circumstances; audited NSLC in 1984 and has not been back.
THIRD PARTY-	
Mrs. McDonough:	
-commented that the Bayers Lake NSLC project was seen as a sweetheart deal with Uniacke Properties; and asked why it was not a part of his detailed scrutiny of provincial property.	-only looked at those areas that came directly under the administration of the Dept. of Government Services itself.
-in view of the controversy and allegations that $12-$18 million of taxpayers' money had been wasted, asked if he would launch an investigation.	-not aware until today of controversy surrounding this project; this is the kind of thing he would look at seriously.
-if he would assure the Committee today that he would look into the Bayers Lake Liquor Commission deal with Uniacke Properties.	-yes; cannot say when it will be done, though.
-re Portland Estates - if it is making payments on its loan and if so, for how long.	-they have not been paid;
-to provide a full report to the Committee on the status of the $57,000 monthly payments not being paid by Portland Estates; and, when the last payment was made.	-a court review is pending with respect to the foreclosure by the first mortgage holder, the bank; balance owing is $2,919,284 as of April 10th; only payments made in recent past have been 46 payments of $3000 each as certain parcels of land were sold.

Questions/Comments by Members:	Replies:
GOVERNMENT	
Hon. Mr. Moody:	Mr. Cormier:
-re Dept. of Transportation improvements, he commented on the on-line computer system presently being set up across the province and, the internal auditor; he asked Mr. Cormier to comment.	-revised maintenance program referred to in report (p. 198); aware of new computer system and is highly supportive of it; hopefully it will improve the information flow to assist in the control of inventory and expenditures.
-commented that positions such as the internal auditor should be upgraded in an effort to attract qualified persons.	-internal auditors are necessary and their classifications should be upgraded, provided those persons are fully qualified.
-when he will be ready to conduct audits of universities, school boards or municipal units.	-visits to universities should commence in the fall for a period of 6-8 months; hope to have school board schedule set later this summer.
-when he will be ready to conduct audits of hospitals;	-decided to postpone hospital audits until after the Royal Commission on Health Care releases its report.
-how he would decide on which school boards to audit.	-would like to get into one of the bigger boards; and one of the non-metropolitan boards; and would like to visit a well-run board as well as one that appears to be having problems.
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	
-re NSPC (p. 95), for his suggestion as to the cost level of work to be approved by the PUB.	-a minimum of $50,000 increasing gradually to $100,000.
-if he felt the PUB has acted in a reasonable way in supervising the large expenditures of the NSPC.	-satisfied with degree of review analysis carried out by the board; nothing in audit indicated that the board's actions were inappropriate.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	**Mr. Cormier:**
-if there was any delay in the reviews done by the Board on capital expenditures.	-(Mr. Gunn:) no delay.
Mr. Bragg:	
-if there had been any communication between himself and the federal Auditor General regarding his appearance.	-yes, received two letters, one of which has not yet been answered.
-re Suttles and Seawinds - if he believed there was political interference in this receivership.	-unable to determine.
-if he had an opinion why the receivers were so late.	-no opinion...did not speak to them.
-re school boards - if the board that requested an audit was the Cumberland District School Board; or was this the Board that he commented on as being relatively well run.	-no, to both questions.
-re Bayers Lake NSLC project - asked him to comment on the borrowed rate of interest.	-unable to make comments based upon newspaper article.
-in Government Services audit, if he looked into gift shop leases and rentals.	-no.
The Chairman:	
-re Bayers Lake NSLC project - asked if it would help if, as suggested in his report (p. 83), legislation that provided for accountability of Crown Corporations.	-have enough power, but suggests legislation be more clearly defined.

Questions/Comments by Members:	**Replies:**
The Chairman:	Mr. Cormier:
-re Estimates Book - commented that major capital expenditures appear in the forecast, yet were never voted on in the legislature; asked Mr. Cormier his view of the proper procedure in these cases.	-agreed that this should be estimated and voted on in the legislature.
-commented that several departments have failed to table annual reports in the legislature for several years, particularly, the Department of Industry, Trade and Technology and Small Business Development.	-agreed that late reports have little or no relevance.
THIRD PARTY	
Mrs. McDonough:	
-asked Mr. Cormier to look into the rumor that the Department of Development (Industry, Trade and Technology) had prepared annual reports for 1985, 1986 and 1987 but they were never tabled; and, asked him to ensure that they are properly tabled.	-agreed.
-asked him to comment on whether the Province acted responsibly in abandoning its priority position in relation to creditors of Portland Estates; and, what justification was there for this action; and requested that the matter be looked into further from the aspect of financial accountability.	-arrangements appeared somewhat unusual at first; justification appeared to be that the company need more funds which could only be provided on a first mortgage basis and the province reluctantly agreed to forego its first mortgage and take a second claim, feeling it was adequately secured.
-commented that Mr. Cormier appeared to feel that we were stuck with the decision.	

Questions/Comments by Members:	**Replies:**
GOVERNMENT	
Hon. Mr. Moody:	Mr. Cormier:
-commented that the federal Auditor General appears to have the perception that the N. S. Dept. of Transportation and Communications is unable to plan and build highways; that the 'bridge to nowhere, was built after the highway leading up to it was built.	
-asked Mr. Cormier if it was common practice for an Auditor General to consult department officials before writing about a project.	-yes.
-suggested that the Auditor General of Canada used 'trick photography' in his video presentation.	
-if he felt that the office of the federal Auditor General has the expertise and that a proper investigation was done on the Offshore Development Fund.	-Mr. Dye's officials did meet with members of the Canada-Nova Scotia Offshore Development Committee; however, did not meet with officials of the Department of Transportation or with Mr. Cormier's staff.
Hon. Mr. Giffin:	
-requested he table correspondence between himself and Mr. Dye pertaining to the Offshore Development Fund controversy.	**-agreed.**

Other Business:

Mrs. McDonough suggested that a copy of Mr. Dye's video be made available for viewing by Committee members.

Meeting adjourned: 11:31 a.m.

APPENDIX IV-a

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

May 19, 1989

Dr. J. William Gillis, MLA
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

In response to a request from the Committee at its May 17, 1989 meeting for copies of correspondence between Mr. Kenneth M. Dye and myself concerning his audit of the Canada - Nova Scotia Development Fund, I enclose copies of the following six letters.

September 28, 1988	Cormier to Dye
April 21, 1989	Dye to Cormier
April 27, 1989	Cormier to Dye
May 5, 1989	Dye to Cormier
May 8, 1989	Gunn to Dye
May 19, 1989	Cormier to Dye

In addition, attached is a separate letter to you regarding a request made at the April 26, 1989 meeting.

Yours very truly,

O.P. Cormier

O.P. Cormier
Auditor General

OPC/nm
Encls.

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

May 19, 1989

Dr. J. William Gillis, MLA
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

This is in reply to your request at the April 26, 1989 meeting of the Public Accounts Committee for further information concerning my position relating to the receivers about whom I commented in the Section of the article commencing on page 158 of my Annual Report. On the basis of further consideration of this matter, including legal consultation, I am pleased to advise you as follows.

The information conveyed in my Annual Report came to me in my position as Auditor General resulting from the conduct of an audit assignment. My statutory obligation is to report the results of my audits to the House of Assembly by way of the Annual Report and to discuss and review as required audit findings, conclusions and recommendations with the Public Accounts Committee.

This reporting and review process has now been completed, since the completion of my regularly scheduled appearances before the Committee have now taken place as of the May 17, 1989 Meeting with you. It would have been inappropriate for me to have initiated any formal complaint or reporting action directly to the Institute of Chartered Accountants of Nova Scotia, prior to having completed the aforementioned responsibilities to the House of Assembly and the Public Accounts Committee.

Whether I have a responsibility under Section 211 of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia, being a member of said Institute is the key issue which you requested me to consider further and advise upon.

A copy of my 1988 Annual Report was provided to the Executive Director of the Institute of Chartered Accountants of Nova Scotia, subsequent to its tabling in the House of Assembly. In addition, copies of this report were provided to most, if not all, the major auditing firms in Nova Scotia whose partners are members of the Institute of Chartered Accountants of Nova Scotia. In addition, I plan to provide a copy of this letter to the Executive Director of the Institute of Chartered Accountants of Nova Scotia, in order to formally apprise him of the query you raised and my response to it.

Section 211 of the Institute Members Handbook regarding Rules of Professional Conduct does require a member to bring to the attention of the Executive Director any apparent breach of these rules or any instance involving or appearing to involve doubt as to confidence, reputation or integrity of a member, student or applicant. Since the results of our audit review have been reported to the House, discussed with the Public Accounts Committee, and distributed to the Institute and certain of its members, the contents relating to this particular matter can be considered as public information within the Institute.

It is my opinion, and I have had confirming advice, that I have no further obligation to make a formal complaint to the Institute, inasmuch as they have already been advised of the audit findings concerning the particular matter described in my Annual Report. The matter can be left to the Institute of Chartered Accountants of Nova Scotia to deal with, according to the administrative procedures they have set-up to handle matters of this nature.

Yours very truly,

O.P. Cormier

O. P. Cormier
Auditor General

OPC/nm
Encl.

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

May 19, 1989

Mr. Kenneth M. Dye, F.C.A.
Auditor General of Canada
240 Sparks Street
Ottawa, Ontario
K1A 0G6

Dear Ken:

This is in response to your letter of May 5, 1989 seeking additional information concerning the official transcript of the Nova Scotia Public Accounts Committee Meeting of April 19, 1989.

Although I am of the opinion, supported by legal advice, that I am not obliged to respond to the questions you have posed, I felt I should nevertheless clarify certain of the points you raised. May I, however, convey my surprise concerning some of your questions because they deal with matters I would have thought your auditors would have addressed in the conduct of their audit, and/or have already been responded to by me in my letters to David Marshall of August 5, 1988 and September 28, 1988.

Moreover, I am disappointed by the fact that you and your staff are seeming to question the veracity of certain statements I made, both in my 1988 Annual Report article, and in my testimony before the Public Accounts Committee - as if they were unsubstantiated statements or opinions. I can assure you that such is not the case. All that I have said and written can be substantiated and in fact was by a complete review of the audits we performed in 1986 for claims under the Vocational Training Assistance Program,and by meetings held since mid-May 1988 with senior provincial officials in the departments and agencies concerned.

I rather regret that you and your staff did not take more seriously my letters to you and them of September 28, 1988 and August 5, 1988. Perhaps a good deal of the confusion and controversy concerning these matters might have been avoided.

I have the following comments to make regarding the specific questions in your letter of May 5, 1989.

1. We performed audits and provided certifications, concerning the claims regarding the Vocational Training Assistance Program dated August 18/20 1986, November 17/18 1986 and December 15, 1986. In all cases, our audit involved a verification of the actual expenses paid according to the accounting records of the Department of Finance of the Province. It is not a matter of believing that the claims are based on actual expenditures, it is a statement of fact.

   I would have thought that the explanation provided Mr. Marshall in my letter to him of September 28, 1988, page 5, third paragraph - item 1, would have conveyed to him that he had misunderstood what Messrs. Reardon, Langille and Doane had told him concerning the claiming process.

   How your audit staff came to the conclusion that our certification is based on estimates is something you will have to ask them. We informed them of our process and the fact that these claims were based on actual costs on numerous occasions, both by telephone and by correspondence.

2. In Chapter 10 of your report, paragraph 10.8 second item tabulated, you state "that contributions from the Fund are to be repaid by the Province out of revenues from oil and gas royalties". This is in accordance with Section 7 of the Development Agreement dated November 21, 1984, which you no doubt have on file.

   Subsequently there was an amendment to the agreement, dated November 17, 1986 signed by the Honourable Marcel Masse, Minister of Energy, Mines and Resources and the Honourable Roland Thornhill, Minister of Development, which confirms the conversion from a loan to a grant program.

   With reference to my comment under item (1) of page 20 of the Hansard for the Public Accounts Committee Meeting of April 19, 1988, I would have thought that a reading of this paragraph would have conveyed that my comment is an opinion that "there is a very real possibility" that requests may have been looked at differently by both levels of government when examining projects on a loan basis, as compared to a non-repayable contribution basis.

3. I will not quote specific federal officials but my exposure to the situation here in Nova Scotia in the early 1980's permits me to make this statement: "the question was not if, but when". There was no discernible difference of opinion between the two levels of government according to my recollection, and this can be confirmed by the extensive activity on the part of the oil and gas industry. Moreover, in late 1982 the Federal Department of Energy, Mines and Resources set up the Canadian Oil and Gas Land Administration office in Halifax (COGLA), for the purpose of administering the Offshore Development Agreement.

Regarding the timing of project approvals, 38 of the 52 approved projects were submitted for approval by the Federal Minister before March 31, 1985, and none submitted prior to the agreement date of November 21, 1984. At the time of these submissions, oil prices were still in the high $30's, and there was no reason to fault the then prevailing optimism regarding offshore development by those involved both in the private and public sectors.

4. My comments on hindsight would apply whether there was or was not an analysis of spending from the Fund before and after the oil and gas price decline of 1986. I would not care to speculate whether the price decline is a permanent one that would influence a continuation of a given project, and I doubt whether many others would as well.

5. It is my opinion that major infrastructure improvements in the Halifax metropolitan area meet the indirect infrastructure criteria of the agreement, because of the key role that the metropolitan area plays in the economy of Nova Scotia. The Woodside Ferry, and the traffic light systems are not inconsistent with this criteria, and are covered in the Halifax/Dartmouth Regional Transportation Report that I referred to in my testimony before the Public Accounts Committee.

The date of approval by the Minister for the trunk sewer project would in my view be relevant if everyone at that time had been certain that oil prices would never come back up. As mentioned above, few people would care to speculate on whether oil and gas prices have permanently declined or how high they may go during the next cycle. Population growth in Dartmouth could not help but be influenced by pending offshore development. Development of the Woodside Park and its related residential development was indicative of how strongly the Provincial Department of Development felt about projected growth in this area.

I do acknowledge that submission of the trunk sewer project which took place in late 1986, and its approval by the Federal Minister in February 1987 might be questioned as to reasonableness in the light of the then prevailing oil prices.

6. What do I mean when I state that Nova Scotia did not embark on any projects without first submitting a project proposal and receiving unqualified approval of the Minister?

   I mean that Nova Scotia did not receive any advances on projects without first submitting a project proposal and receiving unqualified approval of the Federal Minister, nor did the Province embark upon any major projects that would be cancelled if not approved.

   Certainly some projects, such as Highway 107, were underway when assistance was sought from the Offshore Fund. However, no funds were requested or advanced until approval was obtained from the Federal Minister. If assistance had not been approved, Nova Scotia was prepared to fund the project on its own.

   I was attempting to dispel a misconception in the media, that Nova Scotia had received money from the Fund and spent it on projects that the Federal Government had not approved.

7. Rather than go into a great amount of detail on "misrepresentation of the claiming process", I would simply refer you to pages 177-180 of my 1988 Annual Report.

8. In this statement I was trying to convey that no funds were advanced to the Province on any project before approval was received from the Federal Minister. In other words, the Federal Minister was aware of and approved every project. My reference to Audit Services Bureau was to three of their audit reports dated December 1, 1986, October 16, 1987 and March 31, 1989. Nowhere in these reports did they say that any funds had been received without the approval of the Federal Minister, or in contravention of the Agreement.

   I, therefore, concluded that they did not find anything materially wrong with the claims.

9. The fourth paragraph on page 18 of Hansard of the Public Accounts Committee Meeting of April 19, 1988, provides an accurate description of the interpretation placed on paragraphs 10.28 and 10.29 from your 1988 Annual Report by the three media people from whom I requested an opinion.

   I do not believe it is necessary for me to provide any further information on this particular matter.

10. Our records indicate that our first contact with David Marshall was on May 16, 1988 by telephone.

    Concerning my comment on page 33 of Hansard, I was referring to the fact that we were aware that as of July 8, 1988 on the basis of correspondence from David Marshall to the Provincial and Federal Co-Chairmen of the Canada-Nova Scotia Development Fund Committee, that a draft article had been prepared by your office.

11. On issues as controversial as the Offshore Fund, I believe it is incumbent upon an auditor to disclose in his report that there is a substantial difference of opinion.

    It cannot be denied that many of those in Nova Scotia, who had dealt with your audit staff on the Fund, had strongly held opinions that the projects were related to the offshore. This opinion was concurred with by COGLA, and the Federal Department of Energy, Mines and Resources.

    The video tape, in my opinion, conveys an unbalanced presentation by failing to include any representations of the recipient, that is the Province, concerning why the projects were considered infrastructural costs directly or indirectly relating to the exploration for or development, production or transportation of gas or oil in the offshore area of Nova Scotia.

    I believe my reasons for expressing this point of view are contained both in my 1988 Annual Report article and in my introductory comments to the April 19 meeting of the Public Accounts Committee. More specifically you might care to refer to comments on pages 17, 18, 19, and 24 of Hansard.

I trust the above comments will be of some assistance to you.

Yours sincerely,

Paul

O. Paul Cormier, F.C.A.
Auditor General

OPC/nm

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

May 8, 1989

Mr. Kenneth M. Dye, F.C.A.
Auditor General of Canada
240 Sparks Street
Ottawa, Ontario
K1A 0G6

Dear Mr. Dye:

This is to acknowledge your letter of May 5, 1989 to Mr. Cormier, and a copy to me.

Mr. Cormier is on holiday, out of the country, and will not be returning to the Office until May 15th. I will bring your letter to his attention immediately upon his return.

Yours sincerely,

Roy Gunn

Roy S. Gunn, C.A.
Deputy Auditor General

RSG/nm

AUDITOR GENERAL OF CANADA VÉRIFICATEUR GÉNÉRAL DU CANADA

240 Sparks Street
Ottawa, Ontario
K1A 0G6

5 May 1989

Mr. Paul Cormier, F.C.A.
Auditor General of Nova Scotia
P.O. Box 793
Halifax, Nova Scotia
B3J 2V2

Paul

Dear Mr. Cormier:

I have now had a chance to examine the official transcript of the Nova Scotia Public Accounts Committee meeting of April 19, 1989 when you gave extensive testimony about the Nova Scotia Development Fund.

As you know I have been invited to appear before the Committee on May 17. Before responding to any questions relating to your testimony I would like to know if you have information which might shed a different light on the matters covered in my Report concerning this Fund. I would prefer not to take issue with any of your comments without knowing the full context in which they were made. I would be grateful, therefore, if you could provide additional clarification and documentation about any of the following matters covered in your testimony.

****

1. On page 18 you discuss the vocational training projects and state that: "...final payments received by the province were made on the basis of actual costs...". As outlined in David Marshall's letter to you of August 18, we have information from several different sources indicating that the final provincial claims for vocational training were based on estimated rather than actual expenditures. You have not told us what your sources are, other than the Audit Services Bureau, for believing that the claims were based on actual expenditures. I would appreciate any additional information or clarification you could provide at this time.

2. On page 20 you say: "... the original offshore agreement was for a repayable loan . . . subsequently converted to a grant ... certain of the more stringent conditions and review processes which a federal department would normally apply to a contribution program, were not necessarily in place for what was then a loan." Could you provide me with any information you have indicating that the original agreement was a loan, that it was converted into a grant, and that the more stringent conditions applying to a contribution were not in place?

3. On page 20 you also say: " At the time the development fund agreement was signed and most of the projects were submitted for approval there was very little question in the minds of both federal and provincial officials that the offshore development appeared to be a certainty, the question was not if, but when." I am interested primarily in what you say here about federal officials: do you have any indication what federal officials were thinking? What information led federal officials to believe the offshore development was a certainty? Also, how many projects were submitted for approval at the time the Development Fund Agreement was signed? What time period are you referring to when you say most of the projects were submitted for approval?

4. In the third and fifth paragraphs on page 20, you refer to the wisdom of hindsight. Could you refer me to your sources of information about the viability and the prospects for the Venture Gas development in the period 1984 to date? Was any analysis prepared of the spending from the Fund before and after the oil and gas price decline in 1986, and if so could I see it?

5. On page 22 you refer to the expectation, at the time the trunk sewer project was proposed and approved, that Dartmouth would grow substantially. What date was the sewer expenditure approved by the Minister? Do you have information supporting the view that any population growth expected in Dartmouth at that time would be related to offshore oil and gas development, and if so could I see it?

6. On page 24 you ask and answer three questions, the first of which is: "Did Nova Scotia embark on any projects without first submitting a project proposal to the federal Department of Energy, Mines and Resources and receiving unqualified approval of the Minister ? The answer is no."

You return to this point at the bottom of page 25 where you say: " On the basis of proposals that the federal government saw beforehand, there was nothing slipped in at the last moment".

What evidence do you have to support your view that no projects were embarked upon before funding was approved by the federal government? Do you know whether any projects were announced publicly before funding was approved by the federal government? What do you mean by the words "embark on"? In particular, could you provide me with the starting dates and the approval dates for work on the East and West Petpeswick bridges, the vocational schools projects, and the South Dartmouth trunk sewer?

7. At page 25 of the testimony, you say the vocational and technical training case discussed in my Report is, in your view, a misrepresentation of the claiming process in terms of the kinds of costs that you are reimbursed for. In what way does my report misrepresent the claiming process for the vocational schools projects?

8. On page 26, you state that the Audit Services Bureau found each and every claim they have audited okay so far. I would be interested in seeing the evidence on which you base your comments.

9. In the second paragraph on page 33, you mention your contacts with media people about the schools case, the day after our report was tabled. Could you provide us with examples of press comments misinterpreting our report paragraphs dealing with the vocational schools?

10. Concerning the last paragraph on page 33, what is the date and the circumstances of the first contact with your Office that you refer to in the Spring of 1988, when we had in our hands a draft article of the annual report? What evidence do you have to support your statement that we had gone to print on our first article?

11. With respect to the fourth paragraph on page 25 and the third paragraph on page 43, could you provide the reasons for your assertion that the videotape does not convey a balanced presentation of the vocational schools issue?

◆ ◆ ◆

I would appreciate it if you could respond to these points as soon as possible, and in any case before May 17, as I would like to take your comments into account in preparing to appear before the Committee. I wish my opening remarks and my subsequent testimony before the Committee to be as helpful and constructive towards their deliberations as possible.

Professionally yours,

Ken

Kenneth M. Dye, F.C.A.

c.c. Mr. R. Gunn
Deputy Auditor General

Nova Scotia

Auditor General

PO Box 793
Halifax Nova Scotia
B3J 2V2

Arpil 27, 1989

Mr. Kenneth M. Dye, F.C.A.
Auditor General of Canada
240 Sparks Street
Ottawa, Ontario
K1A 0G6

Dear Ken:

I would like to acknowledge your letter of April 21, 1989 received yesterday, and by FAX on April 24th.

It seems as though you and I have a difference of opinion on several matters relating to your audit report on the Canada-Nova Scotia Offshore Development Fund. Perhaps certain of these can be discussed more fully when you appear before Nova Scotia's Public Accounts Committee, next month.

Yours sincerely,

Paul

O. Paul Cormier, F.C.A.
Auditor General

OPC/nm

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

240 Sparks Street
Ottawa, Ontario
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21 April 1989

Mr. Paul Cormier, F.C.A.
Auditor General of Nova Scotia
P.O. Box 793
Halifax, Nova Scotia
B3J 2V2

Dear Paul,

I am writing you - as one professional to another - in response to your testimony before the Nova Scotia Public Accounts Committee April 19, 1989. I was astonished and perturbed by accounts of your statements.

We have had a professional disagreement over our treatment of the claims for funding of vocational training. In my opinion you have used that disagreement as the basis for criticizing me and my staff.

During the course of our investigation into this issue, your office provided us with materially erroneous information regarding the Nova Scotia Nautical Institute, although I believe it was provided in an attempt to be helpful. Nevertheless, we decided it would be inappropriate to embarrass you while we were making our major concerns known to the House of Commons. There were, therefore, no comments in my report about the work of your office. We have been very careful to observe the rules and ethical procedures of our Institute of Chartered Accountants of Nova Scotia.

You, on the other hand, not only made an issue out of my findings in your report but also testified publicly on an issue that you say in your report was not your responsibility to judge, namely the relationship of projects to offshore oil and gas development.

You have left the impression that our report is misleading and not based on fact, while knowing full well the extent to which we have verified all our findings, including with officials of the Nova Scotia government where appropriate. You are aware that we stand behind every statement of fact in our report.

Instead of demonstrating concern for taxpayer dollars you have decided to create a conflict between auditors. That conflict effectively sidelines the major issue of accountability for some $100,000,000 of expenditures which we had difficulty relating to the purposes for which it was intended, namely the Offshore Oil and Gas Development.

Your Public Accounts Committee chairman has written to me and asked if there are any barriers to my accepting an invitation from the PAC to attend as a witness. Since I am unaware of any reasons why I cannot be called as a witness, I don't know how I can refuse an invitation should it be offered. I have indicated my acceptance because I cannot leave your thoughtless and unprofessional comments on the public record without taking an opportunity of defending my reputation.

If invited I will pursue the major issues we have addressed in our report and if my comments are construed as criticism of you and your office, then this letter will serve as advance notice under Institute rules, a courtesy that you failed to accord me.

Professionally yours,

Ken

Kenneth M. Dye, F.C.A.

Nova Scotia

Auditor General

PO Box 793
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September 28, 1988

Mr. Kenneth M. Dye, FCA
Auditor General of Canada
240 Sparks Street
Ottawa, Ontario
K1A 0G6

Dear Ken:

Re: Your Chapter of the Auditor General's 1988 Report to Parliament on the Management of Federal/Provincial Contribution Programs in Energy, Mines and Resources (Canada - Nova Scotia Development Fund - paragraphs 10.27-10.33)

I am enclosing copies of recent correspondence I have had with David Marshall concerning the above noted item which is to be included in your forthcoming Annual Report to Parliament.

I do not agree with certain of the conclusions derived by your staff relating to claims paid to Nova Scotia. Also I have a very real concern that certain of the language used in this article will convey a condition that is in my view not correct.

Accordingly should the matters raised in your Annual Report become the focus of public discussion, as I would expect they will, it is reasonable to anticipate that I will be requested to express a point of view relating to the issues being raised. Since, as described more fully in my attached letter to Mr. Marshall, I cannot agree with certain of the statements included in your article, I will be expressing a contrary point of view to the one you state.

I thought you should be aware of this difference of opinion, and my reasons for it.

Yours sincerely,

Paul Cormier

O. Paul Cormier
Auditor General

OPC/nm
Encl.

APPENDIX V

Nova Scotia Power Corporation

Meeting Summary
May 3, 1989

plus:

V-a...Material provided by
the President of the NSPC
following above meeting.

SUMMARY

Meeting of
Wednesday, May 3, 1989
9:30 - 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. Donald P. McInnes
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Replacement:

Mr. Jim Barkhouse, M.L.A. replaced Hon. George Archibald

Ms. Dianne Stillman, Committee Secretary

Witnesses:

Representing the Nova Scotia Power Corporation:

Mr. Louis Comeau, President and C.E.O.
Mr. Terry MacDonald, Vice-President, Planning
Mr. Gerald Lethbridge, Vice-President, Engineering and Production
Mr. Leonard Sweett, Vice-President, Customer Services
Mr. R. E. Johnson, Controller

Committee Business

The Chairman opened the meeting, introduced the witnesses and invited Mr. Comeau to make an opening statement.

In his remarks, Mr. Comeau referred to a report that was distributed this morning to the Committee (available in the Legislative Library, with Committee Reports). He referred primarily to:

1) the approval of the Public Utilities Board, effective April 1, 1989 of a 6.3 per cent rate increase, although they requested only 5.9 per cent.

2) the sinking fund (total approximately $350 million) which allows NSPC to "repay the debt that we have and over 90 per cent of our debt is now covered by the sinking funds policy".

3) fuel costs (approximately $206 million in 1988-89) are "essentially the same as the combined fuel expenditures of Hydro Quebec, Manitoba Hydro, Saskatchewan Power and B.C. Hydro".

4) sulphur emissions program - "all future generating units will be environmentally compatible" and the NSPC is currently "developing an orderly program of retrofitting our existing plants".

5) PCB's - "during the past year, all concentrated PCB equipment that we know of from our system has been removed and destroyed".

6) 6.1 per cent increase in sales in 1988-89 over the previous year.

7) increase in oil consumption is a result of the strike. Plants can burn either coal or oil.

Information to be Supplied by the Witness Following Meeting:

1. (Hansard p. 87) - requested by Chairman:
   Information regarding House Order to be tabled May 3 by the Minister.

2. (Hansard p. 97-98) - requested by Mrs. McDonough:
   Listing of each of the 22 project reports and studies noted in Appendix B of the Bluenose Project document; the cost of each; and, which are applicable to the Bluenose Project. AND, the same information on other related projects.

3. (Hansard p. 113) - requested by Chairman:
   Actual loss in fiscal 1988-89 - and explanation of discrepancy between figures given to PUB and shown in report to Committee.

4. (Hansard p. 114) - requested by Mrs. McDonough:

   a) the current program with respect to planned level of emissions;
   b) 1983-1989 breakdown of number of employees who are full-time, permanent and casual; and
   c) the survey on minority employees (when completed).

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Johnson:
-the cost of the Trenton 6 generating station; the cost of transmission lines for Trenton 6.	-$252 million; and, $70 million for a total of $322 million.
	Mr. Comeau:
-the projected costs for Point Aconi.	-in the vicinity of $336 million, with associated transmission from $90 million - $100 million; will have the exact figures in another month.
	Mr. MacDonald:
-regarding Bluenose Project, commented that a 300 megawatt unit, for export use, costs $360 million, while a 150 megawatt unit, for the use of Nova Scotians, costs $336 million; since there is little cost difference, asked for an explanation.	-the unit cost of the first 300 megawatt unit (Sheet Harbour) will be relatively expensive compared to the other three.
	Mr. Comeau:
-suggested that the Bluenose Project was a plan whereby power will be sold cheaper to the United States than to Nova Scotians.	-absolutely not.
-commented that Lingan 3 and 4 were originally designed to be 300 megawatt units, however they were built at 150 megawatts....why?	-security of supply; already have 600 megawatts on the site; NSPC view is that the generation package for Nova Scotia should be limited to somewhere around 10 per cent of total take; peak is about 1600 megawatts.
	Mr. Johnson:
-noted that the PUB had said that the government should be paying the NSPC $30 million for rural electrification	-program in effect from 1937 to 1983 totaling $35.6 million. In 1980, it was simplified to a $4.5 million payment per year with two conditions: 1) yearly

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Johnson:
	payments would be reviewed by the NSPC; if costs were greater than $4.5 million, NSPC could ask for a review. 2) amount to be paid by the province was subject to appropriation of funds by the Legislature. Since 1983, there were no funds appropriated by the Legislature, and no payments made.
	Mr. Comeau:
-if the NSPC believes the government owes this money; if NSPC has requested the money over the past three years.	-PUB says yes, but the government says no; a request is being prepared now, but none has been made over past three years.
-when the government informed NSPC that they do not owe this money.	-1984.
-any change in the Rural Electrification Act.	-not to our knowledge.
-if a financial analysis has been done to determine money to be set aside to buy up 9.5 per cent and 10 per cent bonds and/or bonuses to encourage people to keep them.	-bond program has been successful; don't know if many will be turned in, but if they do, we will raise funds.
(The Chairman asked Mr. Comeau to table information relating to the House Order on bonds.)	-agreed.
-the amount of money raised in past three years from NSPC bonds.	-over $300 million.
-if price paid for Westray coal would be approximately the same as for Devco coal.	-yes.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Lethbridge:
-since Suncor Inc. have a much smaller overhead, and will be able to operate with 25% of the workforce that Devco has, how was it determined to pay approximately the same price to Suncor as is being paid to Devco?	**-Westray have a considerable capital expenditure in development; suggested questions regarding efficiency could perhaps be directed to Devco.**
	Mr. Lethbridge:
-suggested that NSPC indicated to Suncor Inc. that they wanted Westray to be the operator of that particular mine.	-Suncor was involved in 1985-86 then for business reasons attempted to sell the rights, based on agreements with NSPC, first to Placer and other companies and ended up negotiating a contract with Westray.
	Mr. Comeau:
-requested a copy of the Westray contract and made a motion to that effect.	-disagreed; it has been made available to PUB.
MOTION:	
..that the contract signed by the Nova Scotia Power Corporation with Westray be made available to members of the Public Accounts Committee.	
Discussion:	
Mr. MacLean: purpose of this motion is "to get a picture of exactly how the negotiations were conducted......we are paying too high a price for the coal....I do not believe that the Power Corporation got the best deal from the Westray officials and, that as a result, the power consumers of this province will have to pay..."	

Questions/Comments by Members:	Replies:
MOTION DISCUSSION...	
Hon. Mr. Nantes: "I am going to vote against the motion.....contract has been made available to the Public Utilities Board...want to indicate very strongly that I think the Public Utilities Board is fulfilling the role necessary to deal with that kind of contract.."	
Mrs. McDonough: "....in support of this motion.....any concept of freedom of information would dictate the release of this information..."	
As there were no other comments, the Chairman called for a vote on the motion.	
The vote for the motion was 5, against the motion 4.	
MOTION CARRIED	
THIRD PARTY	
Mrs. McDonough:	Mr. MacDonald:
-asked for information regarding the cost to date of studies relating to the Bluenose Project; why some of the studies included in Appendix B of the Bluenose Project document are not specific to the project.	-commented on several, but not all, of the studies; many of the studies were covered by ongoing environmental impact assessment studies and not specifically for the Bluenose Project.
-requested the NSPC provide the Committee with a complete listing of the costs associated with these projects and made a motion to that effect.	

Questions/Comments by Members:	**Replies:**
MOTION:	
"...that the Nova Scotia Power Corporation supply the Public Accounts Committee a listing of the costs of each of the 22 project reports and studies listed in Appendix B of this documentation, indicating first of all, the cost associated with each study and, secondly indicating which of the studies are applicable."	
There was no discussion on the Motion. The Chairman called for a vote. The vote was unanimous.	
MOTION CARRIED	
Mrs. McDonough:	Mr. Comeau:
-commented that, in addition to the final feasibility phase study, there appear to be a number of other items that the participant and NSPC will be jointly undertaking; asked for the projected combined cost of those undertakings.	-agreed.
-for an explanation of how the consumers in the province are currently being shielded from costs associated with the Bluenose Project.	**-if project goes ahead, costs will be recoverable.**
GOVERNMENT	
Hon. Mr. Moody:	
-if in their presentation to the Public Utilities Board, the NSPC requested a change in policy toward service clubs,	**-requests were denied.**

Questions/Comments by Members:	**Replies:**
Hon. Mr. Moody:	Mr. Sweett:
and if so, what was the response.	
-if they gave a reason for their decision; asked for an explanation of NSPC's stand on this issue.	-it was implied that it violated the fully allocated cost principle; the PUB felt that they would be getting an unreasonable break; NSPC felt that this was not the case; only recourse would be to change the PUB Act or to make another attempt at a later date.
-suggested the only way to help service organizations lessen their power costs would be to change the PUB Act.	
Hon. Mr. Nantes:	
-asked for an explanation of hiring policies of NSPC; and if applications become public information.	-within the union agreement, compelled to post jobs internally and can only advertise outside if all stipulations of union agreement are met; non-union positions are posted on bulletin boards and are advertised outside only if they cannot be filled from within.; applications are kept confidential.
-asked if the release of the Westray contract could hamper future negotiations and result in higher coal prices, which could mean higher rates to consumers.	-yes.
-if required to release information on job applicants, would the NSPC put some kind of warning on advertisements.	-absolutely.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Moody:	Mr. Comeau:
-commented that if Devco had to sell coal at world market prices, when it has been low, they would be out of business.	-prices with Devco are negotiated every five years; satisfied that NSPC prices were the right market prices applicable; if Devco can or cannot produce for those prices, that is their problem.
-asked how much the strike cost NSPC.	-nothing; were able to burn oil and because of low oil prices, broke even.
	Mr. Lethbridge:
-if it is necessary to compare quality of coal between Westray and Devco.	-not concerned with sulphur content when negotiating prices; NSPC consumes approx. 2 million tons of Devco coal per year; Devco wash approximately half of the coal; approximately one-quarter to one-half of the sulphur can be removed from Cape Breton coal.
	Mr. Comeau:
-if Devco give guarantees about sulphur content; what percentage are they washing; and what kind of a reduction the NSPC gets on a wash.	-do not see that as an option.
-commented that he fully supports NSPC's policy of purchasing Nova Scotia coal as it has greatly contributed to the economy of the province; asked if the PUB indicated that NSPC could buy coal from New Brunswick.	

Questions/Comments by Members:	**Replies:**
SECOND ROUND- OFFICIAL OPPOSITIO	
Mr. Barkhouse:	Mr. Comeau:
-commented that under the PUB Act, organizations with charitable status have a cap of 72,000 kilowatts per consumption per year; those that have been encouraged to go all electric use as much as 92,000; suggested the government, if it wanted to do so, would have no problem in amending the PUB Act to help these people.	-no comment
-asked for the number of employees in the NSPC.	-approximately 2,450.
-if the NSPC has an Affirmative Action Program; how many black people are employed by NSPC.	-not per se, but have recently conducted a survey of minority employees; don't know the actual statistics, but feel we don't have enough.
Mr. Bragg:	
-asked how the NSPC plans to recover costs associated with the retrofitting of coal-fired plants (approx. $600 million).	-through rates; has to be either through rates or government grants.
-if the government has directed the NSPC how to recover this money.	-no, because the program is not decided yet.
-what input, if any, the NSPC had in the Premier's decision to change the PUB rules regarding mega-projects; or, if this was strictly the Premier's decision.	-none.
-commented that House Order No. 156, page 4, indicates bond issue of $9,583,000 on July 7, 1989; proposal or error?	-error - should read July 7, 1987.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	**Mr. Comeau:**
-asked who negotiates the commission on bond issues.	**-it is established by the dealers.**
-commented on past policy of creating and having reserves, noting that in 1985, there was approximately $90 million in reserves, however that has dwindled.	
-asked if the policy has been changed; if there was any intention of increasing those reserves; and what, in his view, was a reasonable level of equity.	**-do not think so; already have close to $350 million in the sinking fund, which is a very strong reserve; $25 million to $40 million.**
-commented that, despite Mr. Comeau's statements in 1986, 1987 and 1988 that the NSPC would soon be applying for power increases, these had been postponed; asked who directed this postponement.	**-thought the Legislature would disapprove of a rate increase when at the time we had $59 million in reserves.**
Mr. MacLean:	
-if the NSPC still encourages consumers to move to an all-electric operation; and, if the NSPC encourages energy conservation.	**-do not promote or discourage; NSPC promotes energy conservation and has held seminars to that effect.**
The Chairman:	
-commented that in his report to the Committee, Mr. Comeau indicated that the NSPC loss in fiscal 1988-89 will be $20 million, however, his submission to the Public Utilities Board set the figure at $31 million; and, asked Mr. Comeau to provide the Committee with the actual figure.	**-agreed.**

Questions/Comments by Members:	Replies:
THIRD PARTY	
Mrs. McDonough:	Mr. Comeau:
-commented on the Premier's proposed changes to the PUB Act; and asked if the NSPC was concerned that, as a result of these changes, the PUB could forbid any dollars of the NSPC to be used in projects such as the Bluenose Project because it cannot control, review or account for that to the power consumers of Nova Scotia.	-will have to follow the rules whatever they may be.
-asked when the new NSPC system-wide inventory process was implemented; and how the standards met will exceed the requirements of the Canada-Nova Scotia Acid Rain Agreement by 60%; and, to supply the Committee with the summary of monthly readings of air quality emissions.	-no answer; based on CFB technology we expect to exceed that; agreed.
-requested that he provide the Committee with the breakdown of the number of employees who are full-time, permanent and casual.	-agreed.
-requested that he provide the Committee with a copy of the survey on minority employment when it is complete.	-it might be possible.
GOVERNMENT	
Hon. Mr. McInnes:	
-if there had been any improvement in the outages that have been occurring during the last couple of years.	-are in line with what is going on nationwide; reliability is 99.7 per cent.
-asked him to expand on non-utility owned generation.	-no difficulty with private power (small projects); difficulty has been one of cost;

Questions/Comments by Members:	**Replies:**
GOVERNMENT	
Hon. Mr. McInnes:	Mr. Comeau:
	a year ago the government directed NSPC to invite proposals for 30 megawatts of private power and NSPC is in the process of negotiating this. In early September, NSPC will apply to PUB for a price level.
Hon. Mr. Moody:	
-commented on hearings held around the province by the Government Purchasing Agency, (which the NSPC took part in) to provide local businesses the opportunity of bidding for government contracts, etc.; and asked what the response was.	-Nova Scotia content has been greatly improved.
-commented that he himself had heard positive comments from the business community.	-policy has not added to the cost to Nova Scotians.

Meeting adjourned: 11:25 a.m.

APPENDIX V-a

nova scotia power corporation
P.O. Box 910, Halifax, Nova Scotia B3J 2W5

Louis R. Comeau
President and Chief Executive Officer

1989 06 15

Dr. William Gillis, MLA
Chairman, Public Accounts Committee
Legislative Committees
3rd Floor
Dennis Building
Granville St.
HALIFAX, N.S.

BY HAND

Dear Dr. Gillis:

Please find attached responses to inquiries made during my appearance before your committee on May 3, 1989.

I trust you will find the information appropriate.

Yours very truly,

Louis R. Comeau

Enclosures

NOVA SCOTIA POWER
PUBLIC ACCOUNTS COMMITTEE
May 3, 1989

Request: Supply costs of studies for Bluenose project as shown in Appendix B and estimate of future studies and those studies carried out for other NSPC reasons.

Response:

Report/Study Number	Specific Bluenose Studies/Costs	N.S. Power System Studies
1	0 (1)	
2		$130,000
3		141,000
4		110,000
5		30,000
6		121,000 (4)
7		(4)
8		(4)
9		(4)
10		81,000
11		90,000
12		4,000
13		12,000
14	$ 35,750 (2)	
15	415,450 (3)	
16	(3)	
17		0 (1)
18	41,180	
19	61,050	
20	645,500 (5)	
21	30,000	
22	20,830 (6)	
Totals	$1,249,760	$719,000

Notes:
1. Internal N.S. Power costs only.
2. Costs shared 50/50 with Boston Edison.
3. Costs are total payment to NSRF for Studies 15 and 16 plus costs for studies into 100 km cable route Nova Scotia to Maine.
4. Total of Studies 6, 7, 8 and 9.
5. Boston Edison share $100,000.00.
6. Converted from $17,500 U.S. at an exchange rate of 0.84.

The next phase of the project is the completion of a Final Feasibility Report. Nova Scotia Power's estimate for the Final Feasibility Phase is $7.0 million U.S. This will be phased in over a two year period. During this time, the project could be stopped at specific decision points as a result of study findings. Therefore, the costs could be substantially less than the $7 million U.S. projected.

NOVA SCOTIA POWER CORPORATION
PUBLIC ACCOUNTS COMMITTEE
INFORMATION REQUEST
MAY 3, 1989

REQUEST: PROVIDE A RECONCILIATION OF THE PRELIMINARY ACTUAL FOR 1988/89 TO THE PROJECTED 1988/89 AS SHOWN IN THE PETITION TO THE PUBLIC UTILITIES BOARD.

RESPONSE:

PRELIMINARY ACTUAL STATEMENT OF OPERATIONS
COMPARED TO PUB PETITION SUBMISSION
FISCAL 1989

	PUB SUBMISSION	ACTUAL	VARIANCE	
REVENUE				
IN PROVINCE ELECTRIC	$525,180	$540,610	$15,430	<--- FAVORABLE SALES FOR LAST 1/4 OF THE YEAR
GRID SALES	3,094	2,711	($383)	
OTHER	5,926	6,614	$688	
TOTAL	534,200	549,935	$15,735	
EXPENSES				
FUEL	215,464	206,241	($9,223)	<--- PRODUCTION COST REDUCTION DUE TO HYDRO & PURCHASED POWER AVAILABILITY
POWER PURCHASED	2,059	8,568	$6,509	<--- FAVOURABLY PRICED REPLACEMENT ENERGY AVAILABLE ON INTERPROVINCIAL GRID
OPER MAINT & GEN	126,033	127,898	$1,865	<--- RATE CASE, PCB REMOVAL-DISPOSAL AND BLUENOSE PROJECT COSTS
GRANTS IN LIEU	4,753	4,751	($2)	
DEPRECIATION	58,999	58,918	($81)	
TOTAL	407,308	406,376	($932)	
NET INCOME (LOSS)	126,892	143,559	$16,667	
INTEREST EXPENSE	160,863	157,835	($3,028)	<--- IMPROVED CASH FLOW, FOREIGN EXCHANGE RATES AND SINKING FUND EARNINGS
INTEREST CAPITALIZED	(3,183)	(2,833)	$350	
INTEREST NET	157,680	155,002	($2,678)	
NET EARNINGS (LOSS)	($30,788)	($11,443)	$19,345	

NOVA SCOTIA POWER CORPORATION
PUBLIC ACCOUNTS COMMITTEE
May 3, 1989

Request: Provide a summary of monthly statistics for quality of stack emissions.

Reply:

STACK EMISSIONS - NOVA SCOTIA POWER

Nova Scotia Power produces monthly statistics for SO_2 emissions from each plant. These statistics are determined from the sulphur composition of the fuel - a direct calculation. Statistics for 1988 are attached. Similar statistics cannot be calculated for suspended particulate matter or nitrogen oxides because of variations produced by operating conditions. Nova Scotia Power specifies particulate collection equipment for new plants to meet the existing emission guidelines of 0.043 kg/10^6 kJ (0.1 pounds/10^6 BTU) of heat input for all fuels. Our plants operate well below this limit.

In a similar manner, the boilers are designed to reduce nitrogen oxides (expressed as NO_2) to a maximum of 0.258 kg/10^6 kJ (0.6 pounds/10^6 BTU) of heat input when firing any solid fossil fuel. The corresponding limit for boilers designed to burn liquid fossil fuel is 0.129 kg/10^6 kJ (0.3 pounds/10^6 BTU) of heat input.

NOVA SCOTIA POWER

MONTHLY SO_2 EMISSIONS (TONNES) FOR 1988

PLANT	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	TOTAL
Glace Bay	684	586	674	506	0	0	0	0	0	226	770	894	4 340
Lingan	7 088	7 852	8 554	6 922	7 197	6 784	8 025	8 335	7 863	8 569	7 146	8 616	93 451
Maccan	43	37	53	11	0	1	4	4	3	32	56	38	282
Pt. Tupper	1 729	1 642	1 642	1 920	1 561	725	831	132	1 369	1 524	1 386	1 113	15 574
Trenton	2 218	2 054	2 096	1 975	2 307	2 166	1 654	1 575	0	1 553	511	800	18 909
Tufts Cove	1 729	1 365	1 044	1 130	949	1 148	646	1 048	1 049	860	1 396	1 923	14 237
TOTAL	13 491	13 536	14 063	12 464	12 014	10 824	11 160	11 594	10 284	12 764	11 265	13 384	146 843

5082M

Nova Scotia Power Corporation

Public Accounts Committee

Information Request

May 3, 1989

Request: Outline the current program with respect to emissions and the scrubber retrofit program.

Response: The Nova Scotia Power's (NSP) policy on flue gas emissions can be simply expressed as follows:

1) All future NSP generating units will be environmentally compatible.
2) As recently announced in the Throne Speech, NSP is to develop an orderly cost effective program of retrofitting its existing plants.

NSP has, for a number of years, been aware of impending emission controls to limit the total output of sulphur dioxide (SO_2) from its stacks. In 1988, the Province of Nova Scotia signed the Federal/Provincial Agreement on Acid Rain, requiring that the total provincial emission not exceed 204,000 tonnes per year by the year 1994. NSP's contribution to this total was set at 160,000 tonnes.

To address the problem of limiting SO_2 emissions in future years, NSP has embarked on a multi-phase program:

(1) The purchase of some 700,000 tonnes of low sulphur coal for its Trenton Generating Station

(2) The Circulating Fluidized Bed (CFB)

(3) An orderly cost effective program of retrofitting SO_2 emission controls on existing plants.

The CFB program contemplates three 150 megawatt units at Point Aconi which is adjacent to the Prince Mine. The Prince Mine output has the highest sulphur content and has low washability characteristics. The present arrangements by CBDC involve the blending of the middlings stream from the washplant (which has relatively low sulphur coal), with the Prince coal. Input streams to the washplant are from the Lingan and Phalen mines. Coal supplied to NSP has a weighted average sulphur content from the middlings and the Prince Mine. If the Prince coal was all consumed in CFBs removing 90% of the sulphur, it is obvious that coal for NSP's existing plants would be confined to the middlings stream from the washplant which would be considerably lower in sulphur content than is presently the case. The CFB program, therefore, results in a doubly beneficial effect in removing 90% of the sulphur from the Prince coal and in burning lower sulphur coal at its other plants. The CFB plan will, therefore, result in a reduction in SO_2 emissions in future years as CFB plants are constructed.

The CFB program alone, by the year 2000, as outlined in the attached chart, Estimated SO_2 Emissions, will reduce NSP SO_2

emissions to about 100,000 tonnes. In addition to this, to further reduce emissions, NSP will develop an orderly, cost effective program of retrofitting its existing coal fired thermal generating system with anti-pollution devices to further accelerate the reduction of sulphur emissions. Emerging technologies for consideration in addition to the scrubber technology include sorbent injection of lime, slurried limestone, or CFB waste and the slagging combustor. A good deal of study and research and development work will be required to determine the extent to which these emerging technologies, which at this time are judged to hold great potential to be cost-effective, will be applicable to the plant designs and operating conditions experienced by NSP at its thermal generating stations.

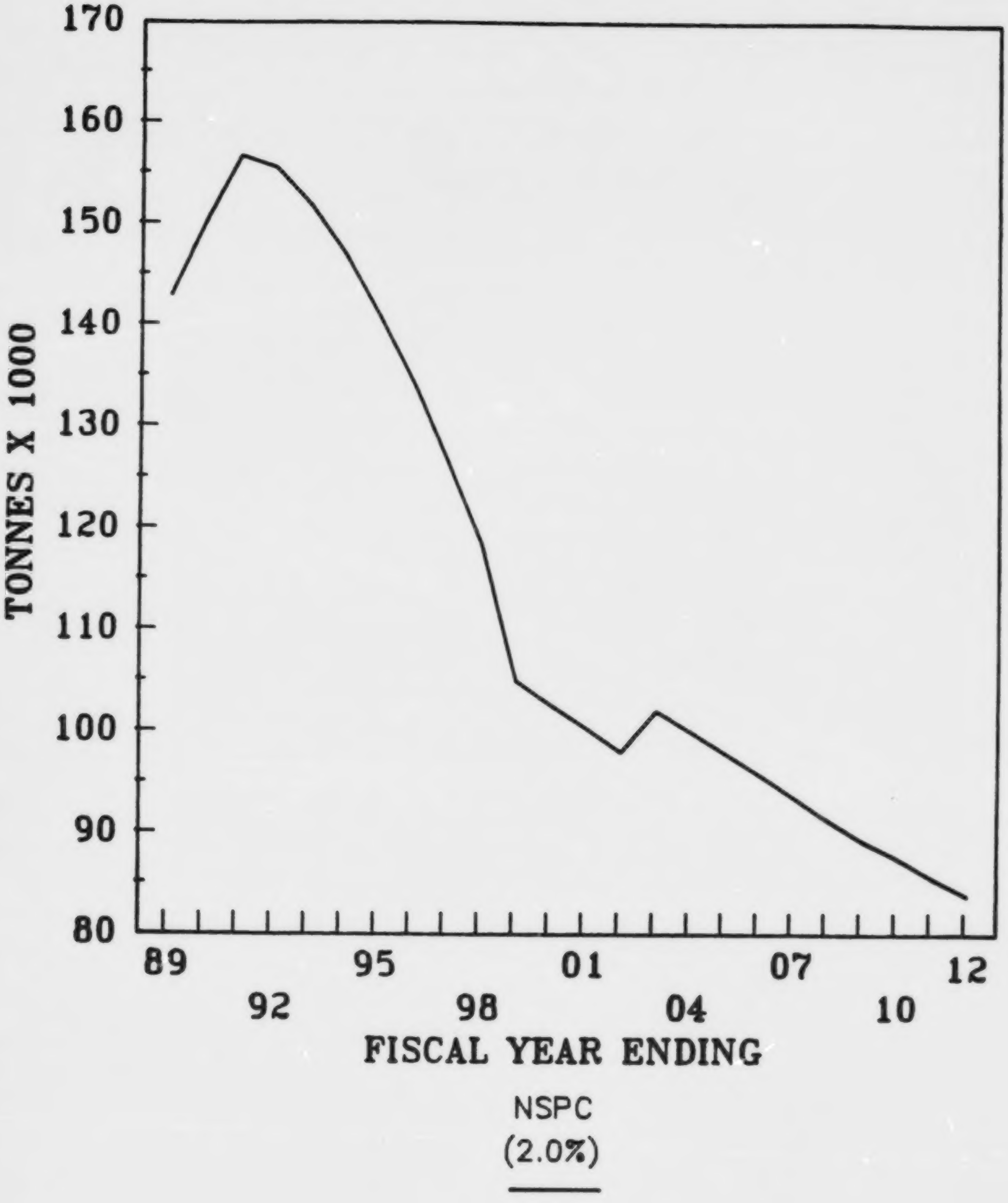
Some of the retrofit technologies are presently most effective on relatively low sulphur coals. Since the use of relatively high sulphur Prince coal releases the lower sulpur coals for consumption in existing plants where retrofits are being examined, the proposed CFB program opens the possibility of selecting from a greater range of retrofit options in a more cost effective manner.

The costs and benefits of the alternative emission control technologies will be assessed over the next year.

The designs of the NSP thermal units vary from unit to unit because of the age, manufacturer, specifications, layouts, site, etc.

Therefore, it is necessary to begin the study of the retrofit program by assessing for each plant the most cost effective technology. When this step is completed, priorities can be established and the orderly program of SO_2 emission reduction from existing plant will begin in accordance with the procedures established for capital project approval from the appropriate regulatory authorities.

ESTIMATED SO_2 EMISSIONS



NOVA SCOTIA POWER CORPORATION
PUBLIC ACCOUNTS COMMITTEE
INFORMATION REQUEST
MAY 3, 1989

REQUEST: PROVIDE A TABULATION OF THE NUMBER OF FULLTIME AND CASUAL STAFF FOR THE PERIOD 1983/84 TO 1988/89.

RESPONSE:

YEAR END EMPLOYEE COMPLEMENT

FISCAL 1984 TO 1989

FISCAL PERIOD	REGULAR EMPLOYEES	CASUAL EMPLOYEES		
		OPERATIONS	CAPITAL	TOTAL
83/84	2458	111	35	146
84/85	2454	104	26	130
85/86	2450	99	46	145
86/87	2383	128	49	177
87/88	2420	117	45	162
* 88/89	2460	158	50	208

* PRELIMINARY ACTUAL

NOVA SCOTIA POWER
PUBLIC ACCOUNTS COMMITTEE
May 3, 1989

Request:	Supply results of survey re: Affirmation Action
Response:	There was no survey conducted at NSP on Affirmative Action. However, the subject has been reviewed by Senior Management and the Corporation is developing a program which will support the employment equity guidelines established by the Federal Government.

APPENDIX VI

Provincial Tax Commission

Meeting Summary
May 10, 1989

plus:

VI-a...Material provided by the Tax Commissioner following the above meeting.

SUMMARY

Meeting of
Wednesday, May 10, 1989
9:30 to 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. George Archibald
Hon. G. David Nantes
Hon. Ronald Giffin, Q.C.
Hon. Donald McInnes
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Ms. Dianne Stillman, Committee Secretary

Witnesses:

Representing the Provincial Tax Commission:

Mr. Eric Lavers
Provincial Tax Commissioner

Mr. David Quaintance
Manager of Tax Information

Mr. James Spurr
Solicitor
Department of Finance

Committee Business

The Chairman called the meeting to order. In the first order of business, the Chairman advised the Committee that, in the event that Mr. Kenneth Dye, Auditor General of Canada, is unable to attend next week, Mr. Cormier has agreed to be present.

The Chairman then introduced the witnesses and invited them to make an opening statement. Mr. Lavers remarks were brief. He stated that since his request to attend was not accompanied by a list of questions (which is not a custom of this committee), he may be forced to provide detailed answers after this meeting.

Questions/Comments by Members:	Replies:
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Lavers:
-what explanation he gave the Minister on Monday of this week regarding changes in the status of Nova Scotia indians.	-explained how tax information bulletins are released and security surrounding them.
-commented that the Minister confirmed Opposition statements that on April 17, Sobeys' policy for Indians living on a reserve was, by showing an I.D. card, they could purchase all items, with the exception of tobacco, on a tax exempt basis.	-agreed
-noted that on April 27, Sobeys issued a memo stating that, by direction from the Tax Commission, a regulation change indicates that Indians must pay the tax, and they must contact the Tax Department for any rebate due.	
-why would a major retailer change policy without the approbation of the Tax Commission.	-Sobeys contacted Commission for clarification of Tax Act; (tabled letter from Comptroller stating Sobeys had no knowledge of budget); no complaints from Indians.
-commented that Sobeys should not, as Mr. Lavers suggested, have to send its memos to the Tax Commission for approval. The Commission should be more efficient in supplying information to retailers.	-in any federal or provincial tax department, taxpayers are required to detail requests for a tax ruling in writing.
-how did Mr. Keay get the information, if not from the Tax Commission; why would he fabricate the situation and embarrass Sobeys; memo stated that N.S. Tax Commission recently changed its policies.	-not privy to discussion Sobeys had with Commission. They were asked to send directive to Commission. They did not.

Questions/Comments by Members:	Replies:
Mr. MacLean:	Mr. Lavers:
-stated that the Commission provided information to Sobeys that was not law at that time.	
-why would Sobeys suddenly decide to change the policy.	-don't know; misinterpreted tax regulation.
-quoted from a letter from H.R. MacDonald of Sobeys indicating clearly that Sobeys was following instructions of Tax Commission.	-confused with March 17 regulation on tobacco.
-what more proof is needed to show that Tax Dept. directed Sobeys to change policy.	-continuing problems in large corporation like Sobeys.
-when you were unable to properly brief the Minister, how can you expect the public to believe you.	-cannot speak for Minister; not responsible for what Sobeys writes in memos on tax unless I get a copy; Indian Tax exemption is a complicated issue.
-how many bulletins were sent out in last 10 years re collection of tax for Indians.	-none.
-explain how Sobeys could announce a new policy on April 27 which is the same one announced by the Minister in the House on May 5.	-Sobeys is responsible.
-who in Tax Department gave the information.	-no answer.
THIRD PARTY	
Mrs. McDonough:	
-is the Sobeys memo of April 27 a restatement of 1974 legislation; and could a staff member of the Commission have conveyed this over the telephone.	-yes; could have been discussed.

Comments/Questions by Members:	**Replies:**
Mrs. McDonough:	Mr. Lavers:
-asked him to table a March 7th regulation concerning tobacco products.	
-if he was saying that Sobeys misinterpreted the March 7, 1989 regulation to mean more than tobacco products.	-yes.
-did your staff ever discuss the possibility of such a change in regulations.	-absolutely not.
-who recommended the change.	-I make many recommendations to Deputy, who makes recommendations to Minister.
-to what extent was the native community consulted in this decision.	-there was no consultation with Indians.
-any correspondence between yourself and the native leadership in this regard.	-none.
GOVERNMENT MEMBERS	
Hon. Mr. Moody:	
-exemptions to Indians not a new problem; give us some background.	-complex problem; wording of statute (1974) is restrictive - not many retail stores on reserves so adopted a system of i.d. cards; then, abuse began with cards being used to buy goods being resold to non-Indians.
-March 7, 1989 tobacco regulations made because of abuse and loss of revenue.	-yes
-how many calls does department get concerning problems of this kind.	-180-250 calls per day (not all related to Indians)

Comments/Questions by Members:	**Replies:**
Hon. Mr. Moody:	Mr. Lavers:
-is the issuance of internal Tax Information Bulletins a normal procedure for large corporations.	-yes
-are these directives binding on the government; is the one from Sobeys binding.	-no
-what are implications of the Sobeys memo going to Quebec AND Nova Scotia	-their legislation differs from ours.
-when Sobeys memo went out, would Tax Commission staff have known about changes in budget	-no
-therefore, they would be unlikely to pass information on.	-correct
-do you feel the changes in legislation will help resolve the abuse of the system.	-will help substantially.
-are you satisfied there was no leak	-yes.
-do you think Sobeys will be embarrassed and relations will be strained with them; are sobeys a good corporation re collecting sales tax; what kind of relationship do you have.	-Sobeys is embarrassed; is an excellent corporate citizen; good co-operation between Commission and Sobeys.
-commented that he was convinced there was no leak and no possible way for there to have been one.	
Hon. Mr. Giffin:	
-who, other than Mr. MacDonald, should be invited, if the Committee decides it would like to hear from Sobeys representatives.	-Mr. MacDonald's assistant, Mr. Keay.

Comments/Questions by Members:	Replies:
Hon. Mr. Giffin:	Mr. Lavers:
-out of 10,000 native Micmacs in N.S., the number involved in buttlegging would be less than 100, correct.	-yes
-you have to introduce legislation that affects many, for the actions of a few, correct?	-yes
-if indians start a tax-free network of businesses on the reserve, will that create problems for the Commission.	-yes; non-Indians would frequent them, thus creating loss of revenue for Province.
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	
-contended that, despite Mr. Lavers denials, Sobeys were given information by the Tax Commission, as stated in their memo of April 27; polygraph suggested.	
Hon. Mr. Nantes - Point of Order: suggested Mr. MacLean withdraw remark about polygraph.	
Chairman - no point of order.	
Mr. Bragg:	
-did someone in your department speak with Sobeys on April 25 regarding tax changes for indians.	-yes
- when did you talk to your staff who spoke to Sobeys to find out what went on.	-Monday, May 8th.
-Sobeys letters of May 8 and May 10...who asked for them.	-I did.

Comments/Questions by Members:	Replies:
Mr. Bragg:	Mr. Lavers:
-did you ask Sobeys to write letter saying they did not receive information from you.	-no; asked for copy of directive and letter stating if our dept. provided budget data.
-did you ask them to fax you another letter this morning stating that they did not receive any information again, after you read Ian MacKenzie's comments in newspaper.	-asked them to clarify their position.
-were you aware last night when talking to H.R. MacDonald, of Ian MacKenzie's comments; his comments were on the radio at suppertime last night and you spoke to Mr. MacDonald after that.	-no; didn't hear it.
-when did you talk to him; odd that you would talk to a senior official of Sobeys after hours from your department if nothing new had come up.	-10 p.m. last night; tried to find out as much as possible to provide information to this Committee.
-on another issue, who told you to take Dale Young off the case he was investigating before he was fired.	-cannot comment - goes before arbitration May 24.
-any comment on the case Mr. Young was investigating at that time; is that case under investigation by your department; who is doing the investigation on the specifics of the case, namely the prominent Conservative that was being investigated by Mr. Young; has the case been referred to the RCMP; case: convenience store, Amherst, prop. George Baker.	-no comment (Mr. Spurr intervened - on his advice, Mr. Lavers cannot comment).
-how do you handle requests for information on personal tax files; any requests in last year for information on members of the legislature.	-would have to be a formal request related to a sales tax matter; no.

Comments/Questions by Members:	Replies:
The Chairman:	Mr. Lavers:
-re Lambert Silo Co. of province of Quebec...conducting business in province but senior company officials have made statement that they don't have to pay tax (told by somebody at Tax Commission); has department attempted to recover tax; why is it taking so long; issue was raised 18 to 20 months ago; appears that the company is getting special treatment.	-should be resolved within the next two months; couldn't act until I was given more information; received that information on March 29, 1989.
-appears to be a breakdown in communication; are you accessible to people in your commission.	-definitely accessible.
-suggested this be cleared up quickly.	
Mr. Bragg:	
-letter from Mr. Ross MacDonald, received this morning - did you ask him for specific information in his letter.	-wanted to be able to provide this Committee with information.
-was it Mr. MacDOnald who called your office on April 25.	-don't think so; could have been his assistant.
-re Amherst convenience store issue do you thing it is an unusually long time for this to be investigated.	-takes time to get evidence.
Mr. MacLean:	
-requested statistical information on prosecutions, audits and referrals.	-agreed

Comments/Questions by Members:	**Replies:**
Mrs. McDonough:	Mr. Lavers:
-when will you be responding to House Order with respect to the conduct of audits and any difference in practices to be observed by employees during an election/non-election period.	-will be presented to the Minister within the next few days.
-do you believe that the change in policy was not due to the instruction of your department.	-suggested some confusion arose over March 7 tobacco regulation.
-in reading March 7 regulation, difficult to see how any misinterpretation could occur; would this not have been contrary to the existing policy.	-yes
MOTION:	
moved that representatives of Sobeys, including Mr. Ross MacDonald, Mr. Clinton Keay and Mr. Ian MacKenzie and any others that Sobeys would like to bring along, would be invited to a future meeting of this Committee.	
Discussion:	
Hon. Mr. Giffin: government members have no objection.	
Chairman called for a vote.	
MOTION CARRIED	
THIRD ROUND: OFFICIAL OPPOSITION	
Mr. MacLean:	
-who in department actually spoke to Sobeys; how long in job; assume he is a competent individual.	-John Williams, Tax Information Officer; ten years; yes.

Comments/Questions by Members:	Replies:
Mr. MacLean:	Mr. Lavers:
-if he provided Sobeys with wrong information.	-Sobeys quoted existing legislation, indicated they would be issuing a directive and Mr. Williams asked them to send a copy to the Commission. They did not. Sobeys misinterpreted legislation.
-the Sobeys memo accurately reflects discussions with Mr. Williams.	-with the legislation of the day, yes.
-commented that Sobeys was seeking direction and proceeded to issue a directive, which was in compliance with the new policy of the Minister of Finance when the budget was brought down.	-disagree. Directive is different from legislation.
-the Tax Commission has not provided direction to retailers since 1974 on matters other than tobacco regulations; what happens if retailers enquire about a customer purchase; so you did provide some information to retailers.	-could not provide advice that was contrary to the Statute; would tell them to have customer show i.d. card, sign certificate and then buy goods tax exempt; yes.
-why would a policy being carried out for 15 years, be changed 9 days before the budget, if not by direction of the Tax Commission.	-if I had seen Sobeys memo on the 27th, problem would have been corrected then.
-commented that on April 17, Sobeys have one policy and on the 27th (after speaking with the Tax Commission on the 25th and 27th), they issued a directive that is dramatically opposed to that policy of the 17th.	
-why would such a good corporate citizen, with a large tax staff take a chance without the approval of the Commission.	-they were aware they should have forwarded the directive to us, but they did not.

Comments/Questions by Members:	**Replies:**
THIRD PARTY	
Mrs. McDonough:	Mr. Lavers:
-if stores put policy in effect prior to budget were there any problems in implementing it.	-no; there was no feedback from Indian purchasers or Sobeys.
-if you had been aware of erroneous content of directive, what would you have done.	-would have been corrected immediately.
-asked him to request the Minister to allow Opposition parties access to Tax Bulletins on budget changes, similar to courtesy given the press.	-will mention that.
GOVERNMENT MEMBERS	
Hon. Mr. Giffin:	
-if it is normal practice for corporations to send copies of directives, and if so, by fax; are there many instances on file.	-yes
Hon. Mr. Moody:	
-have you ever had occasion to reject a directive.	-many times.
-do corporations, including Sobeys, know such directives are not binding unless confirmed by the Tax Commission.	-yes
-is this a unique case, because of timing.	-yes - budget time; any other time, would not have been noticed.

Other Business:

The Chairman noted that in the event Mr. Dye is unavailable next week, Mr. Cormier will be invited to appear.

Meeting adjourned: 11:30 a.m.

APPENDIX VI-a

Nova Scotia

Department of Finance

Provincial Tax Commission
Health Services Tax Division

1723 Hollis Street
PO Box 755
Halifax, Nova Scotia
B3J 2V4

Telex-Finance
019 22570
Fax (902)424-0523
Our file no

May 31, 1989

Mr. Vincent MacLean
Leader of the Opposition
House of Assembly
Province of Nova Scotia
Halifax, Nova Scotia

Dear Mr. MacLean:

The following is the information you requested from me at the Punlic Accounts Committee on May 10, 1989:

(1) Number of Prosecutions

1987-88 Summary Judgements	88
1988-89 Summary Judgements	227
1987-88 Execution Order	11
1988-89	14

(2) Number of Audits

1987-88	2,225
1988-89	1,980

(3) Number of Cases Referred to Minister

All Appeals of the decisions of the Provincial Tax Commissioner are submitted to the Minister of Finance pursuant to Section 18 of the Health Services Tax Act.

I trust the aforementioned information answers your enquiries.

Yours very truly,

Eric L. Lavers

ERIC L. LAVERS, C.G.A.
PROVINCIAL TAX COMMISSIONER

ELL/sam

APPENDIX VII

Department of the Attorney General
-Courts and Registries Division-

Meeting Summary
May 24, 1989

plus:

VII-a...Material provided by the witness following the above meeting.

APPENDIX VII

SUMMARY

Meeting of
Wednesday, May 24, 1989
9:30 to 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. George Archibald
Hon. G. David Nantes
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Replacement:
Mrs. Marie Dechman, M.L.A. replaced Hon. Donald McInnes

Ms. Dianne Stillman, Committee Secretary

Witnesses:
Representing the Dept. of the Attorney General:

Mr. R. A. MacDonald, Executive Director
Courts and Registries Division

Mr. John Embree, Solicitor
Legal Services Division

Committee Business

The Chairman called the meeting to order. He advised the Committee that, at the request of the Committee, representatives from Sobeys Stores Inc. had been contacted and have agreed to appear next week. In light of the perceived discussions, they have asked that Mr. John Williams, Tax Information Officer be invited to attend as well as Mr. Eric Lavers who will be an observer. The Hon. Mr. Moody moved that only Mr. Lavers be invited to represent the Tax Commission. Mr. MacLean, and Mrs. McDonough spoke against the motion. The Chairman called for a vote and the motion carried.

The Chairman then introduced the witnesses, who declined the offer to make an opening statement.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. MacDonald:
-the approximate total fines levied by Attorney General's Department; what percentage of total goes to Mr. MacDonald's department; what percentage are being collected.	-in the vicinity of $8 million; approximately 45 per cent but other agencies also involved, i.e. N.S. Liquor Commission, Registry of Motor Vehicles; of the $4.3 million owed, approximately 60% is collected.
-why such a poor collection rate with reference to fines; what system is used; why the inability to collect fines prior to the Hebb decision.	-partly due to different systems throughout the province; no one procedure in place due to the Hebb decision; members of judiciary reluctant to issue the warrant of committal in default of payment.
-if the Chief Judge is responsible for setting policy and directives to have a similar justice system apply across the province; who is the Chief Judge; has he issued any instructions to coordinate the fine system.	-yes; Harry How; currently working on a uniform proposal for the province.
-commented that uncollected fines were pointed out on several occasions by the Auditor General, but no action was taken until the Hebb decision to having a uniform system.	
-commented that it appears the judges and the Courts and Registries Division are unable to implement the old fines policy let alone a new one.	-do not have a new fines policy at present.
-cannot use the Hebb case as an excuse, since most of the fines are outstanding as of March 31, 1988.	-yes, but only wrote off $283,000.
-how much is owing at the moment.	-in excess of $5.5 million.

Questions/Comments by Members:	Replies:
Mr. MacLean:	Mr. MacDonald:
-5 students hired through the PEP Program by the Attorney General's Department; how will they be collecting fines.	-they will telephone and advise people that their fines are overdue.
-why only five; and, why were small communities selected; bulk of fines in larger metropolitan areas.	-the department requested one in each office, but only 5 were approved.
-re personnel issues: what areas witness is responsible for; retirement policy within the department; how many extensions granted in last 12 months; who are they.	-Courts and Registries; when reaching 65, employees can ask for an extension; two; Mrs. Marjorie Butts and Judge O'Connell, of Sydney.
-any other requests; granted an extension as well; individual now retired; replaced; has recommendation gone forward for replacement.	-yes, one - the Registrar of Deeds in Sydney; no, he was not; yes he has retired; no replacement yet; no.
-reason for no extension; who makes the decision; if he had led the individual to believe that an extension would be granted; when was the individual informed; very short notice; when final decision was made.	-not given to me; the government, through the Minister's Office; no, I did not; 10-15 days before termination; paper work had been routinely prepared in advance; 10-15 days before termination.
Mr. Bragg:	
-re outstanding fines: any analysis done on offenders.	-no, but large corporation fines not involved.
-why nothing has been done sooner to correct this ongoing problem.	-problem with judiciary not issuing warrant of committal in default of payment.
-if it is on a computerized system.	-no, manual system.
-what if accused does not show up.	-prosecutor asks for warrant of committal in default; warrant is executed by sheriff; when

Questions/Comments by Members:	Replies:
Mr. Bragg:	Mr. MacDonald:
	apprehended, person is jailed unless he pays fine.
-is Crown Prosecutor doing his job; are judges turning his requests for warrants down.	-yes; yes, but not in areas we are using the notice of motion system fully (Lunenburg-Queens)
-where in province are majority of outstanding fines; more logical to have notice of motion program in metro area; if pilot project works, why it is not being done in Halifax now.	-metro; probably correct; don't have the necessary resources and Hebb decision requires us to make system uniform through province.
-re Amherst sheriff's office: do you approve hiring; if there are cases where family of sheriff have been hired; requested witness to provide information.	-yes; policy is that no relative of the sheriff is permitted to work with the sheriff unless in an emergency; agreed.
-re Amherst courthouse: has lease been signed; who pays the rent for a court-house in private facilities; moving-in date; what facilities will it house; how many courtrooms; any other government offices; is Probation Dept. moving in.	-Government Services responsibility; Government Services; Provincial and Family Court; August 1; three; not that I know of; don't know, under the Solicitor General's Dept.
THIRD PARTY	
Mrs. McDonough:	
-commented that Auditor General cites staffing shortages as problem re monitoring and collection of fines, and recommended that a request be made to Management Board for additional staffing.	
-what recommendation was made to Management Board and if it was approved.	-requested 5 fine collection officers to be attached to the Provincial Court Clerks' Offices. Request was not approved.

Questions/Comments of Members:	Replies:
Mrs. McDonough:	Mr. MacDonald:
-cost of 5 additional collection officers; was estimate of what this investment in additional staff might have netted the province in collection of fines done for presentation to Management Board.	-approximately $200,000; no.
-commented that if Auditor General's recommendation is not carried out, we can expect little improvement.	-not a fair assessment because we are attempting to arrive at a uniform system.
-re pilot project on fines option program in Lunenburg county: is it part of the coordinator of courts pilot project; was it administered through Attorney General's Department.	-separate program administered by the Solicitor General's Department.
-re outstanding fines: does any of it relate to default maintenance orders; any involvement of Attorney General Department in this issue; is department involved in the design of automatic maintenance enforcement program such as those in other provinces.	-that is administered through the Family Court; no; some discussions going on between the Dept. of Community Services and the Attorney General's Dept.
GOVERNMENT	
Hon. Mr. Moody:	
-re extensions of retiring employees: commented that after request goes to Minister, it is forwarded to the Dept. of Finance, then Management Board and then to Cabinet for approval.	
-commented that the Registry of Motor Vehicles have a computerized system for fines relating to the Motor Vehicle Act and impaired driving; and	-it is working well and helped increase collections in those areas.

Questions/Comments of Members:	Replies:
Hon. Mr. Moody:	Mr. MacDonald:
driving; and, people who do not pay their fines, cannot get a license to operate in the Province of Nova Scotia; asked the witness for his view of the system.	
-re Auditor General's recommendation for additional staff: suggested that Management Board turned down the request because there was not enough documentation to substantiate it; when do you anticipate making those recommendations; looking to implement something in the next fiscal year.	-looking at late fall; yes.
-deputy sheriffs, in some areas, call people to remind them of overdue fines; throughout the province, or in certain areas; and is it effective.	-relates to the notice of motion system, where once a judge is satisfied that the person is attempting to avoid payment of his fine, he will issue the warrant. The rate of success is very high but only in effect in Lunenburg and Queens Counties.
-if the system in Lunenburg County could be implemented throughout the province.	-looking at a variation of it.
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	
-the management team in the department make the initial recommendation for or against a request for an extension; who makes up the management team; which one do you sit on; who else.	-correct; Administration and Courts and Registries Committee and Legal Management Committee; the first one; John Budden, Mgr., Mgmt. Info. Systems, Alden Rennie, Director of Field Operations, Gerry Conrad, Exec. Director of Legal Services; Clarence Guest, Director of Finance, myself and deputy.

Questions/Comments of Members:	Replies:
Mr. MacLean:	Mr. MacDonald:
-were Mrs. Butts' and Judge O'Connell's cases discussed at at these meetings; how many extensions has Judge O'Connell had.	-yes; at least two.
-re Registry of Deeds, Sydney, no replacement for Mr. Moraff: any concern that manpower was going to be short in such a large registry; what was your recommendation in Mr. Moraff's case.	-did not see it as an insurmountable problem; I advised that we had sufficient resources in the office, without extending Mr. Moraff.
-re Deputy Sheriff's Office, Sydney: shortage of personnel, what is holding up the appointment of three extra sheriffs; were all 25 interviewed; how long has it been on the Minister's Desk.	-recommendation is on the Minister's desk, suggested that the top ten of the 25 were acceptable; yes, twice; since January or February.
-is Mr. Bonaparte employed with department as a Deputy Sheriff; is he permanent and located in the courthouse.	-yes; yes.
Mr. Bragg:	
-re outstanding fines: has dept. analyzed what percentage of these are cases where people cannot pay versus those who will not pay.	-no.
-re write-offs: last year $280,000 was written off; were any of those singularly large individual fines ($25,000 +).	-very few large fines, will find out and report back.
-if fines are public information and if so, could I have that information.	-if I am permitted to give it to you, yes.

Questions/Comments of Members:	Replies:
Mr. Bragg:	Mr. MacDonald:
-re Amherst courthouse: who was involved in selection of the site; suitability, a joint decision; were other sites considered; was the space tendered; are you aware if construction work was tendered.	-Government Services; yes; other sites were examined of the past number of years; don't know; no.
THIRD PARTY	
Mrs. McDonough:	
-is there a report from the evaluation carried out by the coordinator of courts of Lunenburg County; can it be made available to the Committee.	-yes.
-is there a report on the pilot project being carried out in Lunenburg-Queens; can it be made available to the Committee.	-yes.
-how much higher a collection rate has been as a result of the pilot project.	-15 to 20 per cent.
-does department have an affirmative action program with respect to the hiring and promotion of both women and visible minorities; has management team been dealing with this issue or carried out any evaluations; requested a copy of the employment status evaluation done on departmental personnel (relating to visible minorities).	-would come under the Personnel Dept.; no; no answer.

Questions/Comments of Members:	**Replies:**
GOVERNMENT	
Mrs. Dechman:	Mr. MacDonald:
-objected to providing names and addresses of people with outstanding fines, for any reason.	
(Mr. MacLean and Mr. Bragg: commented that it is public information when people are fined - in local newspapers.)	
Hon. Mr. Moody:	
-re write-offs of fines: are not done until every means of collection are pursued; commented that the department has been innovative in trying different methods of collection.	
-have you looked at methods in other provinces; how does Nova Scotia compare; are they having similar difficulties.	-not in any great detail, but share information; no opinion; yes.
(Mr. Bragg: it is important to the public interest that we see the kinds of fines, amounts that are being written off.)	
Mrs. Dechman:	
-no objection to an overall view; objection is to provision of names and addresses.	
MOTION	
that the department provide information on the breakdown of kinds of fines that have been written off for individuals, minus the names and addresses.	
MOTION CARRIED.	

Meeting adjourned: 11:02 a.m.

APPENDIX VII-a

Nova Scotia

Department of
Attorney General

PO Box 7
Halifax Nova Scotia
B3J 2L6

Fax No 902 424 4556

Our phone no
424-4025
Our file no

June 1, 1989

Ms. Dianne Stillman
Secretary, Public Accounts Committee
3rd Floor, Dennis Building
HALIFAX, Nova Scotia

Dear Ms. Stillman:

In accordance with the directions of the Committee, I enclose a summary of the report prepared by Mr. Arthur Hebb, Coordinator of the Courts, as it relates to fine collection within the province; a summary of the Notice of Motion and Warrant of Committal in Default of Payment of Fine System that is being utilized in Lunenburg and Queens Counties; and the Sheriff's administrative procedure that relates to this operation. I also enclose a list of the outstanding fines, not including the names and addresses of the offenders.

I should point out that I have already received a call from the Member from Cumberland West, Mr. Ross Bragg, requesting this information.

Yours very truly,

RAMacDonald

R. A. MacDonald
Executive Director,
Courts and Registries

RAMacD/gmb

Enclosures

APPENDIX "B"

Nova Scotia

Department of Attorney General

Office of Sheriff
County of Lunenburg

August 8, 1988

File Number

PROCESSING OF WARRANTS
LUNENBURG COUNTY SHERIFF'S OFFICE

- Recieve Warrants from Prosecutor's Office and sign for them on their covering list as being received and the date received
- Warrants written up in process book
- Ledger card is made up for each
- Work Sheet is made up and any information provided with Warrant is typed on worksheet (ie. address, phone no., etc.)
- Copies are made up of each Warrant and filed
- Original Warrants given to Sheriff for distribution
- Contact is made with individual by the Sheriff or Deputy involved
- Once payment is made, it is recorded on the ledger, journal and also noted in the process book as well as on a running list of outstanding Warrants that is kept up to date as something is done with each Warrant
- Warrants paid in full or requested to be returned are returned to Clerk's Office twice a month with a cheque and cash statement listing individual Warrants and amounts. The statement is signed by Clerk's Office and given back to Sheriff with receipt
- If a person is arrested on a Warrant, the Warrant goes to the Jail and the Jail is responsible for returning the Incarceration Notice (which comes attached to each Warrant) back to the Clerk's Office. This, as well, is noted on our records.
- Any warrants for out of our county, but still in Nova Scotia, are forwarded to the appropriate Sheriff's Offices for collection. The are also sent the original worksheet, a copy of which is made for our file before mailing, as well as a covering letter indicating the balance owing on the Warrant with instruction to forward any monies collected to our office. If the person is arrested we are advised and they follow the same procedure as we normally would.
- Warrants that are out of province - Attempt is made to collect by sending a form letter to the individual. If unable to make contact the warrant is eventually returned to the Prosecutor's Office with note advising reason
- Once a Warrant has been returned as paid, arrested or whatever the case may be, our file copy is pulled, note made and filed in a separate file for returned warrants.

NOTICE OF MOTIONS

1. When a fine is overdue by ten days, the Clerk's Office shall prepare a list of those in default and send it to the Prosecutors Office; persons under 21 should be stated; if letter is returned,please state on list

2. The Clerk's Office shall prepare Notices of Motion returnable at 9:30 am on the first Wednesday in 20 days time

3. The Clerk's Office shall send a Notice Of Motion by ordinary mail to the offender at his address as shown on the Court files

4. If the Clerk's Office receives payment on the fine before the return date, it informs the Prosecutor's Office; persons making part payments should be told to appear on their scheduled date; staff shall not give extensions; if the Court gives an extension and the fine is still not paid by its extended date,a new notice of motion shall be sent

5. If the fine has not been paid in full by the return date, Crown Counsel may apply to the Court for a warrant; if the offender is under twenty-one, there will not be a warrant issued unless Section 646 of the Criminal Code has been complied with

APPENDIX "A"

NOTICE OF MOTION

and

WARRANT OF COMMITTAL IN DEFAULT OF PAYMENT OF A FINE

At the time of sentence, if the offender can pay the fine, a card ("A") is given with the necessary details and he immediately attends at the Provincial Court Office to complete payment. If the offender is unable to pay the fine, time may be allowed to a day definite (last working day of a month in most instances) or by way of installments. Once the fine is overdue by ten (10) days, the Clerk prepares a listing of persons ("B") with overdue fines and this together with a copy of all informations is forwarded to the Crown Prosecutor's Office.

A Notice of Motion ("C") is prepared with a twenty (20) day returnable date for each offender on the list. These notices are forwarded to the offenders by certified mail from the Crown Prosecutor's Office. The offender is thereby notified that the fine must be paid, arrangements made for payment by an appearance before the Judge or the Crown Prosecutor will be applying for a warrant for his arrest ("D") on the aforementioned date, time and place.

If the fine has not been paid by the date set forth in the Notice of Motion, Crown Counsel applies to the Court for a warrant. The warrant (with incarceration notice ("E") attached) is presented to the Court at this time unless the offender is under 21 (for criminal code offences and 19 for provincial statutes). If a payment on the fine has been received by the Clerk before the return date on the Notice of Motion, the Crown Prosecutor's office is immediately advised so the balance owing on the outstanding fine can be shown on the warrant. The warrant following presentation before the Court, is then processed by the Provincial Court Office.

A listing of unpaid warrants ("F") is prepared by the Clerk and forwarded with the original warrants to the Crown Prosecutor for distribution to the Sheriff. Upon receipt of these warrants, the Sheriff makes contact with the offender by telephone to notify him/her that the fine is past due; he has a warrant for his/her arrest; and that he/she has ten (10) days to pay same in full otherwise the warrant will be executed. Immediately upon expiry of the ten-day period, the warrant is to be executed unless the fine has been paid in full. If the fine is satisfied the original warrant and related funds are forwarded to the Provincial Court Office.

If the Sheriff is unable to execute or collect the fine monies the warrant is returned to the Crown Prosecutor for presentation before the Court and placement in the "Unexecuted, Out of Province" or "Unable to Locate" files in the Provincial Court Office.

Canada
Province of Nova Scotia
County of ____________

IN THE PROVINCIAL COURT

"C"

Her Majesty The Queen
vs.

Case No ____________

Notice

TO: ______________________
____
____
____
____

WHEREAS on the ____________ day of ____________________, A.D. 19 ____ a conviction was entered against you under Section ______________________________ of the ______________________________ for which you were ordered to pay a fine in the amount of ______________________ dollars and costs in the amount of ______________ dollars or in the alternative to serve a period of ______________________________ in a Provincial Correctional Institution for the Province of Nova Scotia, if the fine and costs were not paid on or before the ____________ day of ______________________, A.D. 19 ____

AND WHEREAS the fine and costs have not been paid as ordered.

NOTICE IS HEREBY GIVEN that on the ____________ day of ______________________, A.D. 19 ____, at ________ o'clock in the ________ noon, at the Courthouse situate at ______________________ County of ______________ Province of Nova Scotia, I will be applying before H ____ Honour Judge ______________________ for a WARRANT for your arrest for non-payment of the above fine and costs unless you sooner pay same at the Provincial Court Office or appear on that date and show just cause why the WARRANT should not issue.

DATED at ______________________, Province of Nova Scotia, the ____________ day of ______________________, A.D. 19 ____

____
Crown Prosecutor

Address for payment:

Provincial Court Office:
____
____
____

[illegible]

Province of Nova Scotia
County of ________________

IN THE PROVINCIAL COURT

APPROVED

____
JPC

____
[illegible]

Her Majesty The Queen
vs.

"D"

D.O.B.
Address
Phone
Occupation

Warrant

TO: All Peace Officers in the Province of Nova Scotia

AND TO: The Superintendent of a Provincial Correctional Institution in the Province of Nova Scotia

WHEREAS ________________________ of ________________________ in the County of ________________ , Province of Nova Scotia, hereinafter called the offender, was convicted on the ________________ day of ________________ , A.D. 19 ____ , upon a charge that ____ he at or near ________________________ in the County of ________________ , Province of Nova Scotia, on or about the / between ________________ day of ________________________ , A.D. 19 ____ .

AND WHEREAS IT WAS ADJUDGED that the offender for h ________ offence forfeit and pay the amount of ________________________________ dollars to be applied according to law, and also pay the amount of ________________________________ dollars in respect of costs and in default of payment of the said sums by ________________ ________________________ , to be imprisoned in a Provincial Correctional Institution for the Province of Nova Scotia, for the term of ________________________ , unless the said sums, costs and charges of the committal and of conveying the offender to the said Provincial Correctional Institution are sooner paid.

YOU ARE HEREBY COMMANDED in Her Majesty's name, to arrest, if necessary, and take the offender and convey h ______ safely to a Provincial Correctional Institution and deliver the offender to the Superintendent thereof, together with the following precept.

YOU, THE SAID SUPERINTENDENT of the said Provincial Correctional Institution, are hereby commanded to receive the offender into custody in the Provincial Correctional Institution, and imprison h ________________ there for the term of ____ unless the said amount and the costs and charges of the committal and of conveying h ________ to the said Provincial Correctional Institution are sooner paid and for so doing, this is a sufficient Warrant.

DATED at ________________________ , Province of Nova Scotia, this ________________ day of ________________________ , A.D. 19 ____

____
Judge of the Provincial Court
Clerk of the Provincial

"B"

Incarceration Notice

Please complete, detach and forward to originating Provincial Court Office upon incarceration of offender.

TO: All Peace Officers in the Province of Nova Scotia

Name:

Section:

Place of Committal:

Date of Committal:

Provincial Court Case No.:

Police Agency:

Police File No.:

Comments:

Incarceration Notice

Please complete, detach and forward to originating Provincial Court Office upon incarceration of offender.

TO: All Peace Officers in the Province of Nova Scotia

Name:

Section:

Place of Committal:

Date of Committal:

Provincial Court Case No.:

Police Agency:

Police File No.:

Comments:

Incarceration Notice

Please complete, detach and forward to originating Provincial Court Office upon incarceration of offender.

TO: All Peace Officers in the Province of Nova Scotia

Name:

Section:

Place of Committal:

Date of Committal:

Provincial Court Case No.:

Police Agency:

Police File No.:

Comments:

SYNOPSIS OF PROVINCIAL COURT FINES REPORT

PREPARED AND PRESENTED IN OCTOBER, 1988

B1. HISTORICAL - Provincial Court is the Court of first appearance for all charges laid under the Criminal Code, Federal Laws and Regulations, Provincial Statutes and Regulations and Municipal By Laws; and is the Tryer of over 90% of all Criminal Cases that go to trial.

Fine revenue from fines imposed by Provincial Court Judges has grown by 21% in the past three years to $6,470,390. for the fiscal year ending March 31, 1988.

It is evident the Provincial Court system has experienced a rapid expansion to become a major player in the Judicial System of Nova Scotia. It is equally evident that the Administrative support systems, the uniformity of procedures and the adequacy of accommodations have not achieved the standards set by the Supreme and County Court. Likewise the divisions between Judicial Authority and Administrative Responsibility have not been as clearly defined so as to effect the same degree of efficiency and respect.

C1. PROBLEMS - $4,301.89 in Outstanding Fines as of March 31, 1988. In the three years from 1985 to 1988 outstanding Provincial Court Fines have increased by 34% and without doubt would now exceed Five Million Dollars.

This problem exists to a greater extent in some Provincial Court Jurisdictions and results from A.. The lack of uniform procedures for the collection of fines imposed by Provincial Court Judges, B. The involvement of some Judges in what is generally considered to be an Administrative Process, C. The sentencing practices of some Judges which, when time in default of payment of the fine is not included in the complete sentence, renders the fine un-collectable, and D. The concerns of some Judges over the possibility of Civil Liability in the event a warrant should be executed in error.

D1. ASSIGNMENT - To review and analyze the processes and results in nine selected Provincial Court Jurisdictions and to propose a process which could be uniformly applied throughout the Province which would efficiently and effectively achieve the maximum rate of collection of fines Due and Payable and Collectible.

(NOTE: A number of contributing factors reduce the dollar volume of outstanding fines by about 27% to arrive at the actual dollar volume of Fines Collectible.)

F1. OFFICES REVIEWED

A. Bridgewater - Judge H. J. Carver and Judge J. P. Kennedy.

The current process of collection involves Judges, Prosecutors, Chief Clerk and their respective staffs and the Sheriff who executes the Warrant in Default.

The Warrant is issued by the Judge after notice to the offender.

1987/88 Collection Rate 82%

B. Yarmouth - Judge James Reardon and Judge Philip Woolaver.

The current process of collection involves the Chief Clerk who issues the Warrant without notice to the offender and the R.C.M. Police who execute the Warrant.

1987/88 Collection Rate 94%

C. Digby - Judge John Nichols - The Current process involves the Chief Clerk who issues the Warrant without notice and the R.C.M. Police and Town Police who execute the Warrants in Default.

1987/88 Collection rate 95%

D. Kentville - Judge P. F. Kimball, Judge J. A. MacLellan and
Judge Kenneth Crowell.

The current process is limited by the fact that only one of the Judges issues Warrants in Default, and that Time in Default of Payment of Fine is not ordered on a regular basis by the Judges.

1987/88 Collection Rate 67%

E. Truro - Judge C. W. Archibald and Judge John MacDougall

The Process of Fine Collection has basically ground to a halt. Fines currently being paid are all done so on a volunteer basis only.

Time in Default is usually imposed, but the Judge is unwilling to enforce without the Notice of Motion Process involving the Prosecutor who advise they do not have the time to participate.

1987/88 Collection Rate 62%

F. Sydney - Judge Charles O'Connell, Judge George Levaite Judge Stanley Campbell.

The situation in Sydney is very similar to Truro. The Judges will not issue Warrants without Notice of Motion Process and the Prosecution Office do not have the staff to participate,nor will the City of Sydney hire a Prosecutor to help collect city fines. Volunteer Payments Only.

1987/88 Collection Rate 80%

COMMENT: 1987/88 Statistics for Bedford, Amherst and Port Hawkesbury were not available.

SUMMARY: The review of process currently in place clearly indicates that the most Potent Tool of Fine Collection is the Warrant in Default.

(i) The Process in place in Bridgewate enjoys reasonable success but is more time consuming and requires more staff and judicial involvement than more successful processes in other jurisdictions.

(ii) The processes in place in Yarmouth and Digby achieve maximum results with minimum effort, but perhaps falls short by not giving the offender some notice that a Warrant will issue.

(iii) The current situations in Kentville, Truro and Sydney surely point out the need of immediate action to resolve the dilemma.

H. PROPOSAL - The proposed Procedure for Fine Collection to be applied uniformally throughout the Province is based on the premise that "Fine Collection" is an administrative function up to and including the issuance of a Warrant in Default of Payment of a Fine. It also requires that all Provincial Court Administrative offices be on line with P.C.I.S.

STEPS -
1. Computer supplies list which Fines Clerk verifies.
2. P.C.A. staff attempt telephone collection.
3. Notice produced by Computer is mailed to offender advising of impending Warrant and date for appearance before Judge if fine extension is to be requested.
4. If fine remains unpaid the Computer produces a Warrant which the fines Clerk verifies and the Chief Clerk issues.
5. The Sheriff executes the Warrant

RESULTS; The end result of this process will be that within 31 days from past due date either
1. Fine will be paid in full
2. Judge extends time for payment
3. Offender will be in Jail

COMMENT: Fine Collection in the Supreme and County Courts is considered an Administrative support function of the Prothonotary and only requires Judicial involvement if a fine extension is requested by the offender.

ANCILLARY OBSERVATIONS

1. The legal status of the Chief Clerk and the Provincial Court Administration offices are not established by Nova Scotia Statute as are the positions of Prothonotary, County Court Clerk, Sheriff and Registrar of Probate.

APPENDIX VIII

Sobeys Stores Incorporated

Meeting Summary
May 31, 1989

plus:

VIII-a...Material relating to discussions between Sobeys Stores Inc. and the Provincial Tax Commission.

APPENDIX VIII

SUMMARY

Meeting of
Wednesday, May 31, 1989
9:30 to 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. George Archibald
Hon. G. David Nantes
Hon. Donald McInnes
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Ms. Dianne Stillman, Committee Secretary

Witnesses:
Representing Sobeys Stores Incorporated:

Mr. H. Ross MacDonald, Comptroller
Mr. Clinton Keay, Assistant Comptroller
Mr. Ian MacKenzie, Dir. of Advertising/Public Relations
Mr. Kevin Duggan, Budget Coordinator

Observers:

Mr. Eric Lavers, Provincial Tax Commissioner
Mr. Peter MacLellan, Corporate Communications (with the Sobeys group)

Committee Business

The Chairman called the meeting to order. He introduced the witnesses and explained to the Committee that, in light of the recent death of a principal in the firm, Sobeys were contacted yesterday and given an opportunity to change the meeting date. They preferred to attend.

The Hon. Mr. Giffin suggested another item of business. As a courtesy to the witnesses, the Committee deferred this item until 11:00 a.m.

Mr. Ross MacDonald read a prepared statement (Appendix VIII-A).

Questions/Comments by Members:	Replies:
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. MacDonald:
-if he had ever received written direction from Tax Commission, during past 15 years, regarding purchases by native people.	-no.
-how he received direction.	-the policy is contained in the Health Services Act.
-why they asked for direction on April 17th.	-a number of enquiries from our stores re other tax exempt customers, and tried to get a ruling for a general memorandum.
-the direction provided was a substantial change in policy; meant that unless native people agreed to pay tax at the store, you would not be able to serve them.	-agreed.
-reference notes indicate that reason for change was to "clamp down on Indians not living on the reserve, by making everyone pay tax and then prove otherwise."	-correct.
	Mr. Keay:
-how long conversation was with Mr. Williams; if he seemed to know what he was talking about.	-40 minutes; yes, he did.
-Mr. Williams' view of Sobey memo of April 27, which was read over the phone to him on May 4.	-that it was appropriate and accurate; I felt we should get something in writing; he asked me to send him a letter requesting it; I did on May 5.
Mr. Bragg:	
-if Mr. Williams told Mr. Keay that there was a change in policy; when it was in effect.	-yes (I interpreted it as a change in regulation); no, just that Superstores were following it since December 1988.

Questions/Comments by Members:	Replies:
Mr. Bragg:	Mr. MacDonald:
-letters dated May 8 and May 9- who requested them.	-May 8 - David Quaintance reuested letter stating we had no prior knowledge of the budget; May 9 - Eric Lavers asked for a letter stating circumstances around which we had written April 27 memo.
-when Mr. Lavers contacted him.	-May 9 - two or three times between 9 and 10 p.m.
	Mr. MacKenzie:
-asked for explanation of newspaper quote that Mr. MacKenzie said that "when the Minister of Finance insisted Sobeys issued the memo based on the review of the 1974 amendment to the Health Services Act, Mr. MacKenzie denied this...."	-misunderstanding, on my part.
Mr. MacLean:	
-if witnesses were under the impression they were abiding by the directions of the Commission.	-yes.
	Mr. Keay, Mr. Duggan, and Mr. MacDonald:
-who they deal with at the Commission; how often.	-David Quaintance, Walter Wylde, Tony Beech; a few times a year.
	Mr. MacDonald:
-if a clear interpretation is essential to proper running of operation; any difficulties in the past with interpretations.	-yes; no.
-gave a summary of his view of the situation and asked if the witness felt it was accurate.	-yes.

Questions/Comments by Members:	Replies:
Mr. MacLean:	
-commented that the Tax Commission is the culprit; that it would be appropriate to invite Mr. Williams to appear; and the Commission appears to be leading retailers in the wrong direction.	
THIRD PARTY	
Mrs. McDonough:	Mr. Keay:
-despite statements made by Mr. Lavers on May 10 and in Memo of May 30, asked if witness had been asked by Mr. Williams to send a draft memo into the department.	-it was never discussed.
-the testimony given on May 10 by Mr. Lavers is not an accurate account.	-I guess you would have to draw that conclusion.
-if, during the 40 minute phone conversation, he attempted to find out when the policy had gone into effect.	-no.
-if Sobeys became aware of the change only because they had called on another matter dealing with Indians.	-yes.
-if Sobeys had not initiated contact, the change would not have come to their attention until after the budget.	-that is right.
GOVERNMENT	
Hon. Mr. Giffin:	Mr. MacKenzie:
-if Sobeys did not receive a budget leak.	-no

Questions/Comments by Members:	Replies:
Hon. Mr. Giffin:	Mr. MacKenzie:
-if after apologizing to Minister, he contacted the Daily News to correct the article.	-in this case, there was too much going on.
Hon. Mr. Moody:	Mr. MacDonald:
-if Sobeys were aware of situation of cigarette tax regarding Indians.	-yes.
-if Sobeys has a good relationship with Tax Commission.	-no problems; sometimes they have been more than helpful.
-if, when hearing of the change, Sobeys was concerned enough to get something in writing or have it approved.	-very concerned.
-why the memo was sent out so quickly, prior to getting it approved by the Tax Commission.	-felt that if we did not send it out, and if we did sell tax exempt, we would be assessed.
-if Sobeys agrees that there was nothing in any conversations with Commission that led them to believe there was a budget leak.	-correct.
-if they thought the Committee should go after the civil servant involved; if they thought the Tax Commission should formalize procedures regarding directives.	-cannot answer; would be an excellent policy if put in place.
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. Bragg:	Mr. MacKenzie:
-if anyone requested him to call the Minister and apologize.	-no.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. MacKenzie:
-explain misunderstanding.	-that it was not based on the 1974 Health Services Tax Act amendment, but, rather on CICA.
-explain problem with Indians and tax on tobacco products from an industry point of view.	-Indians buy cigarettes from wholesalers tax exempt and resell them to others; wholesalers lose and government loses tax money.
-if he had ever had discussions with Tax Commission on this problem.	-no; concerns wholesalers; Sobeys is a retailer.
Mr. MacLean:	Mr. Lavers:
-if Mr. Lavers had a conversation with John William following the meeting of May 10th; what was discussed.	-yes; asked him what advice he had given; he admitted he gave the wrong information.
-if he asked Mr. Williams to bring his files and memos with him; if Mr. Lavers requested Mr. Williams to sign any affadavits or any statements during the month of May.	-he did not keep notes; no; he sent memo, stating his view of conversation.
-if he brought memo with him.	-no, but I can get it for you.
-if Mr. Lavers asked Mr. Williams to remove documents from his files on the Indian tax policy; if he asked Mr. Williams to shred any information he had kept on hand with reference to the conversation.	-he had no files; no. sir.
-how does anyone know what goes on in the Tax Commission if nobody has any records.	
-why he does not want Mr. Williams to appear before this Committee.	-he feels he has made a mistake; he is embarrassed.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Lavers:
-commented that it would be nice to get Mr. Williams' side of the story; to find out who the other department members were that Mr. Williams' consulted; it is basically the policy issued by the Minister of Finance in his budget document; too close not to have been a leak in the budget.	-there was not a budget leak; disagree.
-commented that Mr. Williams' appeared to be a scapegoat.	-disagree.
-how long he was employed at the Tax Commission.	-28 years.
-if employees regularly decide to change policies.	-decision was based on 1974 legislation, not 1989.
-commented that the interpretation is embodied in legislation currently before the House.	
-commented that Mr. Lavers contradicted his statements of May 10; and asked how much more information is the Committee not aware of.	-did not know of error until I return to office after meeting.
-commented that the information was basically the same that was released in the Budget Speech and now, conveniently, Mr. Williams is being made a scapegoat.	
THIRD PARTY	
Mrs. McDonough:	
-commented that there is a dispute of facts between what Mr. Lavers said on May 10th and his letter of May 30th and today; he adamantly stated on May 10th that Sobeys was asked to submit	-it is still my understanding that Mr. Williams requested the memo.

Questions/Comments by Members:	**Replies:**
Mrs. McDonough:	Mr. Lavers:
their bulletin to the Commission, however Sobeys have clearly indicated that no such request was made; asked him to respond to Sobeys' denial.	
-stated her concern that Mr. Williams was being kept under wraps and will end up taking the rap for what may be someone else's responsibility.	-do not feel he is taking the rap.
-in view of the continuing dispute of the facts, if he would accede to the request to have Mr. Williams appear before the Committee; or if he, as Mr. Williams' superior, is in a position to direct him to appear.	-would have to ask him; do not know.
GOVERNMENT	
Hon. Mr. Moody:	
-commented that new legislation directs that goods must be bought on reserve and that was not the interpretation Mr. Williams gave Sobeys.	-agreed.
-commented that it could not have been a budget leak because he was not leaking the correct information.	-he did not have knowledge of the budget.
-what kind of employee is Mr. Williams; if Mr. Lavers still had faith in his ability.	-excellent, hard worker; yes.
-if Mr. Williams' was pressured not to appear or if it was his request; if Mr. Lavers felt it would add anything further to what has been said; if the stress has caused any problems for Mr. Williams.	-no pressure; no; concerned about being in public eye and that people in future could question his interpretations.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Moody:	Mr. Lavers:
-if Mr. Lavers will be reassessing the way such inquiries are handled in future.	**-yes, more formalized.**
THIRD ROUND- OFFICIAL OPPOSITION	
Mr. Bragg:	
-commented that it is important that the Committee get the final piece of the puzzle, and therefore invite Mr. Williams to appear.	
MOTION:	
that Mr. Williams of the Tax Commission be invited to appear before the Public Accounts Committee.	
Discussion:	
Hon. Mr. Nantes: "..there has been a mistake, it has been admitted to...we are not on a witch-hunt here..not out to muzzle and scare the life out of every middle level civil servant...I intend to vote against the motion."	
Mrs. McDonough: "..only fair to Mr. Williams, and in the interests of clarifying items that continue to be in dispute...not at all a question of head-hunting...part of the total accountability chain...I would speak in favour of the motion."	
Mr MacLean: "..every time the Opposition asks a question...we cannot question civil servants...ministers are not accepting their responsibility.."	

Questions/Comments by Members:

The Chairman called for a vote.

MOTION DEFEATED

Mrs. McDonough:	Mr. Lavers:
-requested Mr. Lavers to have Mr. Williams provide the Committee with a memo regarding the alleged request for Sobeys to provide a written copy of their memo to the Commission for approval.	-yes.

Other Business:

The Committee dealt with a past motion of May 3rd, whereby the Nova Scotia Power Corporation was directed to provide the Committee with a copy of the Westray contract. The Hon. Mr. Giffin made a motion in this regard:

MOTION

that the motion of May 3rd, requiring the NSPC to provide a copy of the Westray contract be rescinded.

Discussion:

Mr. MacLean: "...totally disagree with the position taken by the Minister of Education... contracts were indeed released to the Public Utilities Board...it is a practice, both of the government and the Power Corporation, to obtain even greater secrecy by the amendments to the Public Utilities Board Act...are they paying top notch prices for the coal that is being produced at a much

Questions/Comments by Members:

Mr. MacLean:

cheaper price?"

The Chairman called for a vote.

MOTION CARRIED.

Mrs. McDonough:

made a motion to the effect..

MOTION

that the Westray contract be made available to the Committee minus any highly confidential information.

Discussion:

Hon. Mr. Nantes: "...setting a precedent...almost impossible for them to deal in the world marketplace...word would get around that there is a group of politicians who want to read all about your contract... potential is your contract would be released...in contract law is just simply not workable."

Mr. MacLean: "...it is no reflection on Devco whatsoever, it is an attempt by the government to keep things more secretive than they have before."

The Chairman called for a vote.

MOTION DEFEATED

Meeting adjourned: 11:22 a.m.

OPENING REMARKS TO THE

STANDING COMMITTEE OF PUBLIC ACCOUNTS

MAY 31, 1989

You have asked us to appear before you today as a result of discussions you had on May 10, 1989, with the Provincial Tax Commissioner, Mr. Eric Lavers.

These discussions centered around the tax exemptions granted to Native Indians and two prior internal memos which had been sent to our stores. It has been suggested that instructions in one of these memos represented an information leak of the May 5, 1989, Provincial Budget.

We know nothing about such a leak and in order for you to appreciate our position we are presenting a chronological synopsis of events leading up to the budget date.

APRIL 27, 1989

On April 27, 1989, Mr. Clinton Keay, Assistant Comptroller spoke with Mr. Ross MacDonald, Comptroller, who stated that there was some confusion regarding his April 17, 1989, memo (see Exhibit I) as to whether Native persons were required "to live on the reserve" to be entitled to a tax exemption when shopping at our stores. He instructed Mr. Keay to determine what the policy for each province was.

Mr. Keay phoned the Nova Scotia Provincial Tax Commission and spoke with Mr. John Williams, Vendor Services Officer, Tax Information. Mr. Williams outlined the following two criteria in the Health Services Act; Section 10(1) (ab) before Natives would be exempt from sales tax:

1) Goods must be delivered to the reserve by the retailer, and

2) Goods must be consumed and used on a reserve by a Native Indian

He stated that the department's previous practice was to allow the Indians to purchase goods off the reserve as long as they presented their band card and signed an appropriate certificate (Exhibit II). Mr. Williams stated that the Sales Tax Commission had decided to clamp down on Indians not living on the reserve by making all Natives pay tax and then they could apply directly to the Commission for a refund. The department could then determine whether a Native Indian in fact lived on a reserve.

Mr. Keay interpreted this change to be a change in regulations regarding the status of Indians purchasing goods tax exempt. He stated to Mr. Williams that none of our stores had a delivery service and that all Native customers purchasing taxable goods from Sobeys would be required to pay tax at the checkout and they would then apply for the refund as long as they had a receipt and they lived on a reserve. Mr. Williams agreed that this was how we were to proceed.

Mr. Keay also expressed concerns that our stores would likely receive negative reaction to this policy change. Mr. Williams then stated that the Indian customers could obtain the refund application forms or dicuss the policy change by calling the following numbers:

424-5496	Halifax Area
424-6708	Outside Halifax Area (Toll Free)

During the phone conversation, Mr. Keay agreed the criteria outlined by Mr. Williams to the CICA Canadian Commodity Taxation series which confirmed that "the act requires that the goods must be both delivered to the reserve and consumed on the reserve to qualify for the exemption". He felt that Mr. Williams was discussing current legislation effective April 27, 1989, and that the change mentioned was a reflection of how the Indians were to receive their exemption. In the afternoon he drafted a new directive to our Nova Scotia stores (see Exhibit III) and discussed the contents with Mr. MacDonald. Mr. MacDonald agreed to the issuing of this new directive.

Also, Mr. Williams stated that for tobacco sales to be tax exempt, the Indian Chief for a reserve must designate us as a supplier and the appropriate forms must be completed for the Provincial Tax Commission. As this related to wholesalers, Mr. Keay did not pursue this any further.

Attached as Exhibit IV, is a copy of Mr. Keay's notes made while he was speaking to Mr. Williams on the telephone.

MAY 1, 1989

Mr. Keay issued the April 27, 1989, memo in its final form.

MAY 2, 1989

The memo was circulated to all stores in Nova Scotia.

MAY 4, 1989

Mr. Keay received a call from the head cashier of our West Side Plaza store in New Glasgow. She was concerned with the local Indians' reaction to the memo and whether Sobeys Head Office was going to provide any additional support to enforce the directive. That same day he received a call from Lawrence Paul, Chief of the Millbrook Band, who indicated his concern over our change in policy. Mr. Keay explained to him that he received the change in procedure from the Provincial Sales Tax Commission and he gave him the phone numbers on the memo. He suggested to Mr. Paul that he should talk to Mr. John Williams.

Mr. Keay decided at this point to call Mr. Williams at the Provincial Tax Commission regarding the April 27, 1989, memo. He read the memo over the phone to Mr. Williams who indicated that the information was the department's view of current legislation and that he had confirmed this with other individuals in his department. Mr. Williams also stated that "Superstores" had been following this practice since December, 1988.

Mr. Keay expressed his concerns regarding the two phone calls he had received and that he would like further clarification regarding the whole issue. Mr. Williams agreed and asked Mr. Keay to send a letter outlining the request. He stated that the Provincial Budget was to be tabled in the legislature the next day and he wouldn't be able to address the issue until the middle of the next week.

MAY 5, 1989

As Mr. Williams was not going to address the issue until the middle of the next week, Mr. Keay wrote the requested letter (Exhibit V) at 8:00 a.m. and put it in with Friday's outgoing mail addressed to the "Provincial Sales Tax Commission - Attention: Mr. John Williams". Mr. Williams acknowledged this letter with his letter dated May 12, Any knowledge that we had concerning the tax exemptions granted to Indian customers was gleaned from our conversation with Mr. Williams and our reading of the existing legislation and regulations in effect prior to May 5, 1989. In summation we categorically state that we had no prior knowledge of the contents of the May 5, 1989 Provincial Budget.

Thank you.

WITNESSES ON BEHALF OF SOBEYS INC.

H. R. MacDONALD	-	Comptroller
CLINTON KEAY	-	Assistant Comptroller
KEVIN DUGGAN	-	Budget Co-ordinator (former Assistant Comptroller)
IAN MacKENZIE	-	Director of Advertising and Public Relations.

EXHIBIT I

Sobeys inc

INTER-OFFICE MEMO

TO: ALL STORE MANAGERS

DATE: April 17, 1989

C.C. All Division and District Managers

FROM: H. R. MacDONALD

SUBJECT: TAX CHARGED TO INDIANS, COMMERCIAL FARMERS AND FISHERMEN, AND ANIMAL BREEDERS

Our stores are often asked to sell goods exempt of provincial taxes by certain individuals. The largest groups includes Indians, living on a reservation, commercial farmers and fishermen, and animal breeders.

With the exception of Indians, living on a reservation, it is not possible for us to repress tax, or refund tax to any other group because we cannot be sure if they are entitled to such tax-free status or not. In all cases, such persons should be told that they must pay the tax and later make a claim against the applicable government department.

Indians, living on a reservation, may purchase all items with the exception of tobacco products, on a tax-exempt basis. To qualify for such an exemption they must show their applicable identification card and complete a certificate as per sample attached. The order should be rung in with tax and a refund made out for the amount of the

H. R. MacDONALD
Comptroller

HRM:pjm
:charge.tax

EXHIBIT II

SAMPLE OF CERTIFICATE
COVERING SALE TO INDIAN CLAIMING EXEMPTION FROM PROVINCIAL SALES TAXES

I hereby certify that the goods being purchased by me are for consumption or use by me on the reservation and are thereby exempt from provincial sales taxes.

Name ________________________ Band Number __________

Card Number ____________ Amount of Purchase __________

Dated ____________ 19__ ____________________

(Signature)

EXHIBIT III

Sobeys inc

INTER-OFFICE MEMO

TO: ALL NOVA SCOTIA STORE MANAGERS DATE: April 27, 1989

C.C. All Division and District Managers

FROM: CLINTON KEAY

SUBJECT: TAX CHARGED TO INDIANS

The Nova Scotia Provincial Tax Commission recently changed the regulations regarding the status of Indians purchasing goods tax exempt. Previously Indians were allowed to purchase goods tax exempt, for their own consumption on their reserve, provided the appropriate exemption certificate was given to the vendor.

The Provincial Tax Commission has now stated that the goods must be delivered to the reserve by the retailer, and be consumed on the reserve, to qualify for the tax exemption. As none of our stores have a delivery service, all applicable sales tax must be charged to the Indians on all goods sold by us to them.

Indians must pay the tax to us and they can then apply for a refund to the Nova Scotia Provincial Sales Tax Commission as long as they have a receipt showing that taxes were paid and that they in fact live on a reserve. The phone numbers they can call to obtain the refund application form are as follows:

[illegible] [illegible]

Outside - Toll Free 1-424-6708

CLINTON KEAY
Assistant Comptroller

CK:pm
:charged.tax

Form 506-0

EXHIBIT IV

Spoke with Mr. John Williams - Nova Scotia Ruling on RST
April 27/89

Criteria :

(1) goods must be delivered to the reserve by the retailer

(2) goods must be consumed and used by native indians.

- re: tobacco. Band Chief must designate retailer as a supplier and we can sell cigarettes to him (maximum is set by RST Sales Tax)

- Indians must pay tax and can then apply for a refund as long as they have a receipt.

RST Refund - 1-424-5926
Tax Information (Toll Free) 1-424-6708

[illegible] reduce the charge down on indians not living on the reserve by making everyone pay tax and then prove otherwise.

Relevant section.

1 (ab) "tangible personal property when delivered to and consumed or used on a reserve"

EXHIBIT V

Sobeys inc

115 KING STREET
STELLARTON, NOVA SCOTIA BOX 150

May 5, 1989

Provincial Sales Tax Commission
P.O. Box 755
Halifax, Nova Scotia
B3J 2V4

Dear Mr. William:

As per our conversation on May 4, 1989, could you please clarify your departments position regarding the tax status of native Indians. Our previous discussions on April 27, 1989 indicated that goods must be delivered to the reserve by the retailer and be consumed on the reserve to be tax exempt. As this is a departure from previous practice, I would ask your department to issue a bulletin surrounding purchases by native Indians to avoid any confusion in the future.

Yours truly,

CLINTON KEAY
[illegible]

CK:pm
:provsal.tax

EXHIBIT VI

Nova Scotia

Department of Finance

Provincial Tax Commission
Health Services Tax Division

1723 Hollis Street
PO Box 755
Halifax, Nova Scotia
B3J 2V4

Telex-Finance
019-22570

Our file no.

May 12, 1989

Sobey's Inc.
115 King Street
Stellarton, N.S.
B0K 1S0

Attention: Clinton Keay
Assistant Comptroller

Dear Sir:

This letter is in reply to your correspondence of May 5, 1989.

I understand that my Supervisor, Walter Wylde, has sent a copy of Bulletins #72 and #73 by fax. These bulletins relate to items mentioned in the Provincial Budget of May 5, 1989.

If you have any further questions, please do not hesitate to contact me.

Yours truly,

John D. Williams

John D. Williams
Vendor Services Officer
Tax Information

JDW:ld

PROVINCIAL TAX COMMISSION

DEPARTMENT OF FINANCE

HALIFAX N. S.

MEMORANDUM

FROM	John D. Williams Tax Information	DATE	May 19, 1989
TO	Walter Wylde, Supervisor Tax Information	FILE	
COPIES TO	Dave Quaintance, Manager Tax Information	SUBJECT	

SUBJECT: REPORT ON CONVERSATIONS WITH SOBEY'S INC. REGARDING SALES TO NATIVE INDIANS

On April 27, 1989, I received a telephone call from Mr. Clinton Keay who identified himself as being with Sobey's Head Office. His inquiry was about what section of the Health Services Tax Act covered exempt sales to Native Indians. I stated that it was Section 10(1)(ab), and read the legislation verbatum. Mr. Keay listened, and then asked me to repeat the actual section number so that he could find it in a CCH publication which he was using. He found the section as it was reprinted in his CCH publication, and asked me if this reflected our current policy. I said yes. He stated to me that the purpose of his call was to familiarize himself with our legislation and current policies so that he could inform the various Sobey's store managers throughout this province. I suggested that because this was a controversial issue, he should write a letter to me to confirm our conversation. I concluded by giving him my name and address.

On May 4, 1989, Mr. Clinton Keay of Sobey's Inc. contacted our office, and asked for me. Since I was in the office that day, I took the call. He identified himself and made reference to our previous conversation on April 27, 1989. Then he asked me if we had any bulletins on the subject of sales to Native Indians. When I stated that we did not, he questioned me as to whether or not the information that I gave him was the result of a change in policy, to which I answered yes. He wanted to know when the policy changed, why we did not issue a bulletin on the matter and whether or not his competition was aware of this revised position. I told Mr. Keay that the topic of exemption for Native Indians was discussed at an earlier staff meeting, and at that time I got the impression that we were going to follow the legislation as written. I told him that I had personally reviewed the revised policy with the Real Atlantic Superstore in Halifax, (on January 26, 1989). Again, I suggested that since there were no bulletins on the subject, that he should write me a letter to confirm this.

He did write me a letter dated May 5th, which I received on May 8, 1989. At that time, the budget speech was public knowledge. I want to stress that there was no budget leak on my part, since I

.....2

did not have any knowledge of what the budget contained until approximately noon time on Friday, May 5, 1989. Also, I want to state that he did not inform me that he issued a memo to his store managers based on our conversation of April 27, 1989.

John D. Williams

John D. Williams
Vendor Services Officer

JDW:ld

APPENDIX IX

Teachers' Pension Commission

Meeting Summary
June 7, 1989

plus:

IX-a...Material provided during
and following
the above meeting.

APPENDIX IX

SUMMARY

Meeting of
Wednesday, June 7, 1989
9:30 to 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. George Archibald
Hon. G. David Nantes
Hon. Donald McInnes
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Ms. Dianne Stillman, Committee Secretary

Witnesses:
Representing the Teachers' Pension Commission:

Mr. R. W. C. Jack, Commission Secretary
Mr. Bruce MacDonald, Actuary
Mr. Stephen Hogan, Teachers' Representative

Committee Business

The Chairman called the meeting to order and introduced the witnesses and invited them to make opening remarks. He then invited the Vice-Chairman to assume the Chair in his place, so that he could sit as an Opposition Member for the duration of this meeting.

The Hon. Mr. Archibald took the Chair.

Mr. Jack briefly told the Committee of the organizational structure and responsibilities of the Teachers' Pension Commission.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Jack:
-who makes the investment decisions; do you have a full list of all of the investments; how much money is involved.	-Minister of Finance; no, we don't require a list; assets of $700 million.
-commented that he was surprised that the Commission would not ask for investment list; it makes it difficult to comment on good or bad investment policies.	-not Commission's role to pass judgments on investments.
-if the teachers on the board have asked where the $700 million is being invested.	-yes, in general terms.
-the role of the Commission.	-to administer Teachers' Pension Act and the pension plan and disability applications;
	Mr. MacDonald:
-re actuarial report: do you study the investments or work with numbers provided by Dept. of Finance.	-numbers given by Auditor General - an analysis of holdings (Bonds, Debentures, stocks, mortgages and short-term cash).
	Mr. Jack:
-has Commission recommended to Minister of Finance regarding the unfunded liability of the fund.	-prepared strategy paper, as basis of discussions with NSTU on problem of unfunded liability.
Mr. Bragg:	
-who does the Commission Secretary report to.	-Chairman of the Teachers' Pension Commission, who is the Deputy Minister of Education.
-contribution from the NSTU and the province; why hasn't something been done.	-very complex problem; must check all options and the impact they might have on teachers and the province.

Questions/Comments by Members:	**Replies:**
Mr. Ross Bragg:	Mr. Jack:
-has the idea of more contributions from both parties been proposed; to both parties; why.	-it has been discussed, but not with both parties; must be approached carefully, current rate pays for benefits currently earned.
-with fewer new teachers, and the aging of others, demands on the fund will increase faster in the next few years; will there be a major problem in a few years.	-agreed; will certainly continue to grow.
-is the unfunded liability greater this year than last; did contribution increase over last year.	-yes; don't know. The actuary's valuation report will tell us.
Dr. Gillis:	Mr. MacDonald:
-when would you project the government will have to use operating budget funds to pay pensions, based on the unfunded liability; 2010 is closer than we think.	-until the first decade of the next century; the longer you wait the more drastic action to be taken...from operating revenues or increase contributions....or reduce benefits.
-commented that teachers are paying into this fund in good faith and if the government of the day is unable to make up the shortfall, they could lose a percentage of their pensions.	
-commented on the actuarial report which suggests serious consideration should be given to either freezing or reducing the unfunded liability; what is the Commission doing.	-as a result of previous evaluation, we produced a strategy paper outlining a number of options.
-requested a copy of strategy paper. (Mr. Jack made the paper available. It was copied and distributed at the meeting.)	

Questions/Comments by Members:	Replies:
Dr. Gillis:	Mr. Jack:
-has it been suggested that government and teachers' contributions be increased for a number of years, strictly for covering the unfunded liability.	-contribution increases have been discussed; trustee of fund would have to be involved in earmarking funds.
-has Commission ever considered recommending lump sum payments be made to help the situation.	-strategy paper identified that as an option; matter for government to decide.
THIRD PARTY	
Mrs. McDonough:	
-how often will actuarial valuation be done; and how soon after the valuation will the report be completed.	-Act was amended to reduce interval from 5 to 3 years; report after July 31, 1988 valuation was out in January 1989.
-how much increase in unfunded liability between 1984 and 1988 valuations; major contribution to increase is interest costs.	-$175 million; yes.
-is there an annual report on the investment portfolio.	-yes.
	Mr. MacDonald:
-are there any guidelines to determine an acceptable level of unfunded liability.	-no.
	Mr. Jack:
-how are teachers' pension funds operating in other provinces.	-on a per capita basis, N.S. is about average. Only Manitoba operates with either a small surplus or small deficit.

Questions/Comments by Members:	**Replies:**
GOVERNMENT	
Hon. Mr. Nantes:	Mr. Jack:
-how are teachers informed on state of pension; who's responsibility is it; how many in plan.	-as a result of new computer system recently produced a statement and mailed it to all teachers. Also, Commission annually attends NSTU symposium; Commission's responsibility; 15,000 - 16,000.
-commented that most teachers are unaware of the state of the unfunded liability of this plan; would you recommend the NSTU develop a communications plan.	-too complex to discuss with a mass audience, but plan to issue annual report effective July 31, 1989.
-when would report be available; to every member of the plan; would it inform of the history of the growth in unfunded liability; are you aware if there has been an effort to hide this information; ever done an annual report before.	-late 1989, yes; if the Commission decides it would be useful; no; no.
-has NSTU ever asked for information for their newsletter.	-made ad hoc inquiries.
SECOND ROUND- OFFICIAL OPPOSITION	
Dr. Gillis:	Mr. MacDonald/Mr. Jack:
-actuarial report recommends another valuation be done as of July 31, 1990; when does the Act require one; when will the cash flow study be done; requested a copy be made available to the Committee.	-1991; no legal requirement; preliminary report on cash flow has been done (July 1988), needs further analysis; yes.
-requested copies for the Committee of: the investment report which is prepared for the Commission by the Minister of Finance; the annual report.	-agreed.

Questions/Comments by Members:	**Replies:**
Dr. Gillis:	Mr. Jack:
-how many contributors and pensioners.	-active contributors, approx. 10,500 and almost 5,000 pensioners.
-Bill to amend the Teachers' Pension Act currently before the House...what is the Commission's position on it.	-proposal was made unanimously by the Commission because it felt the mechanism to change the contribution rate was too cumbersome and did not allow for a timely response to information.
-the actuary's position on the legislation.	-no problem, if there are sufficient safeguards.
THIRD PARTY	
Mrs. McDonough:	
-regarding the amendment to the Act, is the Commission satisfied with the current system of checks and balances.	-yes.
-how much time elapsed between the actuarial recommendations for increased contributions and the implementation in 1984 and 1988; result in revenue loss; what would be a reasonable period of time.	-over a year; yes; within weeks.
-any concern about dispute arising around decision to increase contributions.	-operates with the interests of all parties, do not foresee any conflict.
-strategy paper suggestion that future pensioners are expected to shoulder some of burden of unfunded liability...elaborate.	-if any group of teachers were expected to take on any of the responsibility for unfunded liability, they should also have authority over the various actions which could be taken.
-strategy paper completed two years ago; status of decisions relating to recommendations; requested a copy of sequel.	-after considerable discussion, a sequel has been prepared to the strategy paper; agreed.

Questions/Comments by Members:	Replies:
OFFICIAL OPPOSITION	Mr. Jack:
Dr. Gillis:	
-what is the sequel to strategy paper.	-result of discussions of recommendations. One result of discussions was indexing at a rate equal to the cost of living.
-tell us the names of the representatives on the Commission.	-Blenis Nicholson, Deputy Minister of Education - Chairman; Michael Hornby, a public accountant appointed by the government; Arnold Sarty, the former Auditor General, a government appointee; Dr. Harris Miller, a government appointee; Steve Hogan and Terry Gallagher are teachers representatives and Cameron Sears represents the pensioners. They are appointed by the NSTU at the annual council.
-if the actuary report recommends a change, how long will it take before it will be in effect.	-do not know.

Meeting adjourned: 11:03 a.m.

APPENDIX IX-a

STRATEGIES TO DEAL WITH THE UNFUNDED LIABILITY OF THE TEACHERS' PENSION FUND: A REPORT TO THE MINISTER OF EDUCATION AND THE PRESIDENT, NOVA SCOTIA TEACHERS' UNION

TEACHERS' PENSION COMMISSION
HALIFAX, N.S.
June 1987

INTRODUCTION

The most recent valuation of the Teachers' Pension Fund was performed by the actuarial consulting firm, William M. Mercer Ltd., for the five years ended 31 Jul 84. At this date, the Fund had assets of $457 million and actuarial liabilities of $1,127 million giving rise to an unfunded liability of $670 million.

In this report we shall quote figures as at the valuation date of 31 Jul 84. It should be noted, however, that these numbers are already dated. By virtue of the interest on the unfunded liability, the latter will have grown to approximately $890 million by 31 Jul 87.

We have identified a number of strategies which can be employed to tackle the problem of the unfunded liability and we recommend that the two partners of the pension fund jointly consider them.

They fall into two broad categories: (1) those which envisage the infusion of additional assets into the Fund i.e. in addition to expected future contributions and investment earnings; (2) those which envisage a reduction in actuarial liabilities. These strategies are not mutually exclusive. It would be possible to devise a package of complementary strategies.

INCREASING ASSETS

Payment of Cash - We feel compelled to begin by stating the obvious, even though we recognize that it is not the most attractive option from the Province's standpoint. If the unfunded liability is such a great problem that it must be eliminated forthwith, this can be achieved by the Province depositing $670 million in the Fund.

Such a deposit could be in the form of cash, which could then be invested or in the form of interest bearing Provincial bonds. To provide the necessary cash flow, the yield on these bonds would have to be 10% per annum.

If this option were combined with the liability reducing strategies described later in this report, the deposit could be reduced to $377 million.

INCREASING ASSETS (Cont'd)

A variation on this theme would have the Province pay the interest on the unfunded liability at the valuation rate. This would require annual payments of $67 million on the gross unfunded liability or $37.7 million after implementation of complementary strategies. These payments could be in the form of cash or interest bearing provincial bonds.

The amortization of the unfunded liability over some fixed number of years is another option which embodies the same general principles as the options identified above. Using a 35 year amortization period (at 10% per annum) the required annual payments would be $70 million or $39 million on the reduced unfunded liability.

We wish to emphasise that we are not recommending that any of the strategies identified above be adopted as government policy. They are, however, courses of action which could be considered as potential solutions if the problem is deemed, by those considering it, severe enough to warrant such harsh medicine.

Investments - The Commission is pleased to note that there now appears to be a more active investment strategy. We understand that an investment counselling firm has been retained to advise the trustee on asset mix and that the equities component of the portfolio has been given to four money management firms. We applaud this as a progressive measure which hopefuly will have a significant positive effect on the unfunded liability.

The current preponderance of bonds in the portfolio (which may change in the future depending upon the advice of the investment counsellor) is of course a continuation of an historical trend begun decades ago in the infancy of the Fund. Accepted wisdom is that while bonds indeed have been the preferred investment vehicle recently, historically (over the long term) other types of securities have yielded better results.

The Commission believes that the Teachers' Pension Fund should participate fully in the economic growth of our country. This means taking advantage of the entire array of available investment vehicles. We recognize that

Investments (Cont'd)

pension fund investments must fall within prescribed risk parameters. We believe, however, that an investment portfolio can meet the legislated standards of risk acceptability and yet be other than almost exclusively bond-oriented.

It cannot be overemphasized how vital the investment function is to the health of the Fund. An increase of only 100 basis points in the rate of return would yield an additional $5 million plus in investment earnings (on an asset base of over $500 million as at 31 Mar 86.) To put $5 million into context, it is equal to 12 1/2% of the current pension payroll or 18 1/2% of the Province's matching contribution for fiscal 1986-87.

Increased investment earnings are the most "painless" way to increase the Fund's cash flow. The extraction of more money from the taxpayers of the Province or the plan contributors, whether to fund new or current benefits or to tackle the unfunded liability inevitably causes some negative reaction.

In summary, we can only reiterate that an increase in investment earnings must be considered as a significant component of any package of strategies devised to put the funding of the Teachers' Pension Plan on a basis which will ensure that no undue burden falls on future taxpayers or contributors. This is particularly true given the strategies identified in the next section of this report regarding possible reductions in liabilities. If future pensioners i.e. current contributors, are expected to shoulder some of the burden of the unfunded liability, then they have the right to expect agressive Fund management and indeed perhaps even to have authority over a portion of it.

DECREASING LIABILITIES

There are three components of the current benefits regime, rationalization of which could effect immediate and significant reductions in the unfunded liability.

Indexing - Introduced in 1972, this was designed to offer some protection from erosion in purchasing power

DECREASING LIABILITIES (Cont'd)

Indexing (Cont'd)

caused by inflation. The orginal ceiling on the amount paid was set at 2%. As greater and greater annual increases in the Consumer Price Index became the norm, the ceiling was raised to 4% in 1977 and 6% in 1980.

The increase to 4% in 1977 also saw the introduction of "catch-up." This is a provision whereby any increase in the Consumer Price Index above the indexing ceiling would be "banked" in an accumulating indexing account to be drawn down in any year when the increase in the Consumer Price Index was less than the indexing ceiling. This latter circumstance occurred in 1985, 1986 and 1987. In each of these three years, the increase in the Consumer Price Index was around 4%. The Teachers' Pension Fund granted 6% indexing.

The following changes could be made in the indexing provisions:

(1) an Indexing Account be established into which should be paid 2.06 ot the current 7.52 percentage points contribution rate paid by each funding partner, plus investment earnings on these earmarked contributions;

(2) indexing on pensions put into pay after 1 Jan 88 should be charged to the Indexing Account;

(3) indexing on pensions put into pay before 1 Jan 88 should continue to be charged to the balance of the Fund which we shall call the "basic account";

(4) catch-up should apply only to those teachers who retired before 1 Jan 83 and who have therefore suffered a real loss in purchasing power;

(5) those who retired after 1 Jan 83 and before 1 Jan 88 should receive indexing in the future at the same rate as those who will retire after 1 Jan 88;

(6) those who will retire on or after 1 Jan 88 should receive indexing equal to the least of:

    (a) the increase in the Consumer Price Index;
    (b) 6%;
    (c) the funding available in the Indexing Account.

DECREASING LIABILITIES (Cont'd)

Implementation of these recommendations which can be achieved through amendment of the Regulations to the Teachers' Pension Act would effect an immediate reduction in the unfunded liability of $272 million.

Integration with CPP - The Teachers' Pension Plan is integrated with the Canada Pension Plan. Teachers contribute 5.92% of their annual salary up to the Year's Maximum Pensionable Earnings (a figure set by the CPP) to the Teachers' Pension Plan and 7.52% of their earnings above the YMPE. A teacher who retires before being eligible for CPP receives a "bridging benefit" from the Teachers' Pension Fund approximately equal to what he or she will receive from CPP. Upon being eligible for Canada Pension, the teacher no longer receives the bridging benefit.

Prior to 1 Jan 87, a person had to be 65 years of age before being eligible for Canada Pension. After that date, Canada Pension became payable upon retirement, as early as 60 years of age. The need for a bridging benefit for those between 60 and 65 years of age is therefore eliminated.

The Teachers' Pension Plan could be integrated wth the Canada Pension Plan at the earliest age at which each teacher becomes eligible for Canada Pension.

This would have the effect of reducing the unfunded liability by almost $35 million. It would "free" 0.29 of the 7.52 percentage points contribution rate.

Recognition of Service - The plan currently allows teachers to buy service other than that in the Nova Scotia public school system. In some cases, the cost is based on current salary and in others on a prior years's salary. In both cases, the liability assumed by the Fund through recognition of this service is generally greater than the purchase price.

The purchase price charged for recognition of outside service could be made equal to the actuarial cost of this service.

DECREASING LIABILITIES (Cont'd)

Recognition of Service (Cont'd)

There would be no immediate reduction in the unfunded liability, but future increases from this source would be eliminated. This change would also be achieved through regulatory change.

TEACHERS' PENSION PLAN
PROPOSALS FOR CHANGE

INTRODUCTION

The Teachers' Pension Commission issued a report titled, "Strategies to Deal with the Unfunded Liability of the Teachers' Pension Fund: a Report to the Minister of Education and the President, Nova Scotia Teachers' Union" in June 1987. This report identified a number of strategies to effect a reduction in the plan's estimated actuarial deficiency. The Minister and the President agreed that this report should serve as the basis for discussion between them on approaches to solving the problem of the pension plans's growing actuarial deficiency. Respectively, they appointed the Secretary of the Teachers' Pension Commission and the staff officer of the union responsible for pension matters, to review the Commission's report and make proposals regarding possible changes to the teachers' pension plan.

As a result of these discussions, a number of detailed proposals have been formulated.

I. Communications regarding investment function

These proposals are based on the premise that the members of the pension plan as current contributors and future beneficiaries have a legitimate interest in the exercise of the investment function.

1. The trustee of the pension fund should make a quarterly report to the Commission and the President of the Nova Scotia Teachers' Union encompassing the reports of the various fund managers.
2. The trustee of the pension fund should make an annual report to the Commission and the President of the Nova Scotia Teachers' Union. This report should contain the following information:

    A listing of investment holdings (for bonds this could be grouped by issuer)

    Details of purchases/sales

    Comparison of market value and book value

    Calculation of rate of return

    Asset mix report from Confederation Life

II. Communications - Other

This proposal is based on the premise that open communcation removes some of the perceived "mystery" surrounding the pension plan and makes the plan members feel more confident and secure.

1. The Commission should produce an annual report for distribution to teachers. This report should contain the following:

A summary of the trustee's report outlined above

The audited financial statements

Such other information as the Commission deems appropriate

III. Contribution Rate

Currently, the contribution rate (7.52%) is set by the Teachers' Pension Act. Often the receipt of information which might warrant a review of the rate is not coincident with the legislation timetable. By the time a rate change can be enacted by the legislature and put into effect by the Commission, it can be over a year and the new rate can itself be out of date. What is required is a more timely rate-setting mechanism which nonetheless allows for consultation between the interested parties.

1. The Teachers' Pension Act should be amended to allow the contribution rate to be set by regulation of the Teachers' Pension Commission.

2. The rate should be set after consultation with the Minister of Education and the Nova Scotia Teachers' Union.

IV. Indexing

Indexing is one of the most costly components of the pension plan, accounting for almost $300 million of the estimated actuarial deficiency and about one-third of the contribution rate.(1) Some aspects of the current indexing regime were deemed to be unjustifiably generous. Alternative approaches to inflation protection were devised. The objective of these proposals is to compensate pensioners through indexing, only for actual losses in purchasing power caused by inflation and to establish the indexing regime for future pensioners on a fully funded "pay as you go" basis.

A. Current Pensioners

1. For those pensioners who are suffering no cumulative loss in purchasing power since their pensions were first put into pay, indexing in 1989 should be limited to the lesser of 6% and the increase in CPI.

2. For those pensioners who are still suffering a cumulative loss in purchasing power, indexing in 1989 should contain a "catch-up" component but should be not greater, in total, than 6%.

3. In subsequent years, "catch-up" should only be paid to those teachers who have not been fully compensated for losses in purchasing power; when a teacher has been fully compensated, indexing should be paid as indicated in 1, above.

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(1) These figures are derived from the results of the 1984 actuarial valuation.

B. Future pensioners

1. Commencing August 1989, an actuarially determined portion of the teachers' and matching employers' contributions should be paid into an Indexing Account.

2. Commencing in 1990, indexing to new pensioners i.e. those whose pension began in 1989, should be paid from the Indexing Account.

3. The amount of indexing to be paid should be based on increases in the Consumer Price Index, with the maximum rate being 6%.

4. Within the 6% maximum limit, indexing in excess of the CPI increase should be paid only to those pensioners who over time have experienced a cumulative loss in purchasing power.

5. The amount of any indexing paid in excess of the CPI increase in a given year should be not greater than the excess of the CPI increase over 6% in prior years.

C. Management and Funding of the Indexing Account

1. Annually, the actuary should calculate the contribution rate required to keep the indexing account fully funded.

2. The contribution rate paid by both teachers and government should be adjusted annually in accordance with the actuary's recommendation.

3. The investment function associated with the Indexing Account should be the responsibility of the Teachers' Pension Commission which should establish a special committee for this purpose.

4. The composition of the committee should be as follows:

   2 government appointees)   appointed by and
   2 NSTU representatives }   from the Commission

   The Secretary of the Teachers' Pension Commission and a staff officer of the NSTU should be ex-officio, non-voting members of the committee. The two NSTU commissioners who would be on the committee should be current contributors to the pension fund.

5. The chair of the committee should be elected annually by his/her fellow committee members with the proviso that the chair should alternate between a government appointed and NSTU appointed commissioner.

6. In the event of a tied vote, the chair should have the casting vote.

7. Each committee member should be appointed for a two year term, with the initial appointment being staggered so that each year only two members are up for reappointment or replacement.

8. As an initial investment strategy, the committee should appoint two money managers to handle the portfolio for the first five years.

9. Performance evaluation should be carried out on the investment function at appropriate intervals.

10. The Commission should hire an accountant to deal with the following aspects of index account management:

    cash flow management;
    dealing on a day to day basis with money managers;
    accounting for amount of indexing paid to both pre 1988 pensioners and "new" pensioners.

11. The Commission should report quarterly to the Minister of Education and the President of the NSTU on the investment activity and status of the indexing account.

V. COSTS OF PURCHASES OF OTHER SERVICE

As a general rule, the cost of purchasing service should be the actuarial transfer value of the service being recognized rather than the twice contributions plus interest method currently employed; the actuarial assumptions used to determine these actuarial transfer values should be those employed in the most recent actuarial valuation.

A. Teaching service outside the N.S. public school system (except under reciprocal transfer agreements)

1. For service prior to 31 July 1989, the current rules should apply until 31 December 1989 with the new rules (actuarial transfer value) being applied thereafter.

2. For service after 31 July 1989, the new rules should be effective on and after 1 August 1989.

B. Maternity Leave

1. For leave prior to 31 July 1989, the current rules should apply until 31 December 1989 with the new rules applied thereafter.

2. The amount of maternity leave which would be eligible for purchase would be limited to that recognized in the current collective agreement between the Minister of Education and the NSTU.

3. The cost of purchasing maternity leave would be split 50/50 between the teacher the Province.

C. Repayment of Refunds

1. Where a refund was taken on or before 31 July 1989, the current rules should apply until 31 December 1989 with the new rules applying thereafter.

2. Where a refund is taken after 31 July 1989, the new rules should apply.

3. The amount to be repaid in either circumstance should be the employee's share (50%) of the actuarial transfer value.

D. Eligibility

1. The ten year waiting period for eligibility to purchase outside service should be reduced to two years.

VI POSTSCRIPT

These proposals should be considered as only the first phase of a continuing review of the teachers' persion plan. Further analysis of the plan should be undertaken with a view to identifying whatever steps could be taken to make further improvements in the financial health of the plan.

RWCJ
31 Oct 88

PROVINCE OF NOVA SCOTIA

ANNUAL REPORT
INVESTMENT COMMITTEE
TEACHERS' PENSION FUND

FOR THE YEAR ENDING
MARCH 31, 1988

CONTENTS

		Page
I	History and Composition of the Committee	1
II	Investment Philosophy	2
III	Asset Mix Advisors	2
IV	Investment Managers	2
V	Summary of Investment Activity	3
VI	Investment Objectives for Coming Year	4

Appendices

Appendix A - Investment Committee Membership
Appendix B - Terms of Reference for Equity Portfolio Managers
Appendix C - Summary of Asset Mix Recommendations
Appendix D - Statement of Fund Assets
Appendix E - Financial Statements

INVESTMENT COMMITTEE

TEACHERS' PENSION FUND

ANNUAL REPORT
FOR THE YEAR ENDING MARCH 31, 1988

I History and Composition of the Committee

The Department of Finance is responsible for the management and investment of assets of the Public Service Superannuation and Teachers' Pension Funds.

The Public Service Superannuation and Teachers' Pension Plans have been in operation for approximately 54 years and 60 years, respectively. During the initial years, the Funds were relatively small and generally were invested in fixed income securities.

In recent years, the size of the Funds has been growing substantially. At March 31, 1988, the Funds totalled:

Public Service Superannuation	- $ 840.3 million
Teachers' Pension	- $ 732.9 million

As the Funds grew in size, the Department of Finance formed an in-house investment committee to set investment policy and monitor and approve investment activities of the Funds. The initial Investment Committee consisted of the Deputy Minister of Finance, the Controller, the Executive Director of Investments & Debt Management and the Manager of Investments.

As the Funds continued to grow and the determination of investment policies became more complex, the Department of Finance expanded the Investment Committee to provide representation from the major groups participating in the Pension Plans. Accordingly, the Chairman of the Teachers' Pension Commission, the Deputy Minister responsible for the Civil Service Commission, a representative from the Nova Scotia Power Corporation and other non-departmental members were added to the Committee. The current membership of the Committee is outlined in Appendix A.

II Investment Philosophy

The portfolios of the Pension Plans were initially structured as fixed income funds. The investments consisted of bonds and debentures of federal and provincial governments and their guarantees, and high-grade fixed income corporate securities. The funds were managed by investment personnel of the Trusts & Debt Management Division of the Department of Finance who, over the years, developed significant expertise in bond and money markets.

Funds were allocated to the equity markets starting in 1968 and continuing until 1974 when, because of market conditions, allocations ceased. Equity holdings were maintained on a passive management basis.

III Asset Mix Advisors

As a result of further growth in the Pension Funds and increased complexity in the field of pension fund management, the Investment Committee and the Department of Finance decided to hire professional advisors to consider diversification of the asset mix of the portfolios which would include equity investments in Canada and other markets. After soliciting proposals and interviewing a number of firms, Confed Investment Counselling Limited was hired in November 1985 as an asset mix advisor for the Investment Committee.

IV Investment Managers

Shortly following the hiring of Confed Investment Counselling Limited, the Investment Committee agreed to hire four investment managers to initially manage the equity portfolios that had been managed by departmental personnel since the termination of the management agreement with Sceptre Investments in 1975. Again, following a request for a proposal and interview process, four investment managers were hired to manage individual portfolios:

(i) Confed Investment Counselling Ltd.;
(ii) Montreal Investment Management;
(iii) Jarislowsky Fraser; and
(iv) E.J. McConnell & Associates.

The Canadian equity portfolios were turned over to the above managers in February 1986.

The investment guidelines given to managers, which emphasize long-term growth, are outlined in Appendix B.

V Teachers' Pension Fund - Summary of Investment Activity

At April 1, 1987, the Asset mix of the Fund was as follows:

	(millions)	
Cash & Short-Term Deposits	$107.7	16%
Bonds & Debentures	526.6	80%
Mortgages	5.0	1%
Equities - Canadian	17.9	3%
- U.S.	-	-
	$657.2	100%

Consistent with the recommendations of the asset mix advisors, a summary of which is attached as Appendix C, during the first half of the year cash flow of the Funds was allocated to the short-term market and to establish U.S. equity portfolios. Confed Investment Counselling Ltd. and Jarislowsky, Fraser were engaged to manage the U.S. equity portfolios on behalf of the Fund. By September 30, 1987, $25 million had been allocated to each of these managers for the U.S. equity portfolios.

As a result of the October 1987 adjustment in equity markets staff of the Department and the Investment Committee reviewed the asset mix policy with the asset mix advisors. With the consensus being that the lower priced Canadian equity market represented better value than before the October adjustment, a portion of the monthly cash flow ($600,000/month) was directed to managers for the Canadian equity portfolios. At the same time managers were authorized to deviate from the 90% equity investment parameter established by the investment guidelines; the intention being to enable managers to take advantage of investment opportunities but not force funds into the equity market.

The asset mix at March 31, 1988 reflects a higher proportion of equities (resulting mainly from the addition of the U.S. portfolio), a lower proportion of fixed income securities, and a higher short-term position for the Fund. At March 31, 1988, the Asset mix of the Fund was as follows:

	(millions)	
Cash & Short-Term deposits	$145.3	20%
Bonds & Debentures	520.7	70%
Mortgages	3.9	1%
Equities - Canadian	23.6	3%
- U.S.	45.7	6%
	$739.2	100%

VI Investment Objectives for Coming Year

As recommended by the asset mix advisors, the cash flow of the fund is being allocated to bring the Canadian equity portfolio up to the 5% range, and to reduce the fixed income position of the portfolio.

Two U.S. investment managers, Merrill Lynch Asset Managment, Inc (New Jersey) and Independence Investment Associates (Boston) have been engaged to manage further allocations to the U.S. equity market.

The Committee and the Department of Finance acknowledges the significant contribution of Mr. Keith Shaw to the management of the Pension Fund investments over the years. Mr. Shaw's retirement on August 31, 1988 will necessitate the Department of Finance and the Committee considering various alternatives for the management of the fixed income portfolio.

APPENDIX A

Investment Committee Membership

Representatives of the Department of Finance

A.G. Manuel, C.A.
Deputy Minister

S.L. Wile, C.A.
Controller

H.W.V. Matthews
Executive Director
Investments & Debt Management

R.W. McAloney, C.A., C.I.A.
Manager Trusts & Financing
(non-voting member)

Representatives of Major Groups

R.J. Allen
Chairman
Workers' Compensation Board

R.S. Brookfield, FCA
Chairman & Chief Executive Officer
Nova Scotia Municipal Finance Corporation

R.C. Fraser, FCA
Vice President and Chief
Financial Officer (ret'd)
Nova Scotia Power Corporation
Treasurer
Tidal Power Corporation

B.J. Nicholson
Deputy Minister Education and
Chairman Teachers' Pension Commission

D.T. Tobin, C.A.
Deputy Minister
Management Board and
Civil Service Commission

APPENDIX B

Terms of Reference for Equity Portfolio Managers

The Minister of Finance is custodian for the Nova Scotia Public Service Superannuation Fund and the Teachers' Pension Fund (the "Funds"). Under his direction, on advice from the Pension Investment Committee, the objectives of the Funds are to provide enhanced benefits to the beneficiaries through the operation of a well-managed, high-quality investment program, to avoid unanticipated actuarial deficiencies and to reduce those actuarial deficiencies which currently exist.

Investment Policies

1. Asset mix for the Funds will be decided by the Department of Finance with the recommendations of the Pension Investment Committee.

2. Equity Portfolio Managers will be directed to invest funds in Canadian, U.S. and/or International Markets.

3. Equity Managers will remain fully invested in equities and will not normally retain a cash or cash equivalent security position in excess of 10% of the market value of the portfolio; however, it is recognized that during unfavourable market conditions managers may request approval to direct a larger percentage of the portfolio to short-term cash equivalent securities.

4. Initial Equity Managers' allocations will amount to approximately $12 million. Future allocations may be provided from time to time. Investment income will be credited to each Manager's portfolio for reinvestment.

5. All investments made must meet the criteria established in Sections 35 through 43 of the Provincial Finance Act. Additional investment criteria may be established from time to time.

It is recognized that most plan members are domiciled in the Province of Nova Scotia and that societal investments bestowing benefits to citizens of the Province at large should be examined from an "opportunity" point of view with actual investments made in the Province by appointed investment managers. There is no desire that a fixed percentage of the portfolio be directed to Nova Scotia securities nor is there a wish to impose any other provision that may restrict the Manager's discretion. Rather, the intent is to place the onus on appointed investment managers to monitor Nova Scotia investment opportunities, maintaining a watching brief and to exercise a "best efforts" conduct in seeking investments which pass normal tests of investment worthiness.

6. All purchases and sales of securities will be made by each Manager through a securities house with representation in Nova Scotia and credit for such purchases and sales must be allocated to the Nova Scotia representative office.

7. All transactions will be made for the account of the Minister of Finance in Trust for the Public Service Superannuation Fund or the Minister of Finance in Trust for the Teachers' Pension Fund or such other nominee name as may be established. All deliveries of securities for settlement will be made to the Department of Finance in Halifax and payment will be made by the Department upon receipt of the securities. The Department of Finance may appoint outside paying agents/custodians as it deems appropriate.

8. The Managers will notify the Department of Finance of all transactions respecting the portfolios within 24 hours of the day the transaction is made. The Department of Finance retains the right to reject any transaction within 24 hours of such notification.

Investment objectives, to reflect their longer term nature, should be measured over a complete market cycle using a four-year moving average. Security of and growth in principal through the "total return" concept is of paramount importance with overall emphasis on quality of investment. Liquidity is not a primary concern.

Appendix B, Cont'd.

Investment Objectives

1. The total investment return should equal or exceed the Canadian Consumer Price Index plus the actuarial investment earnings assumption, currently 4.5%.

2. The total return in Canadian equities should outperform the TSE 300 Composite Index and be consistently above the median against competition in the Canadian pension fund universe.

3. Each manager should strive to consistently achieve first quartile ranking as measured by SEI Performance Measurement Service.

It is understood that the Managers require lead time to structure their initial portfolio allocations.

These Terms of Reference are in addition to and augment and enhance the terms of the Agreement with each Manager. Any changes in investment policies and/or objectives will be conveyed to the Managers in writing. In accordance with the Agreement respecting quarterly reports, it is expected that opportunity will be given to the Pension Investment Committee to meet with each manager to discuss each report on dates convenient to both the manager and the Committee, and at other times that each may request.

APPENDIX C

Summary of Asset Mix Recommendations, April 1, 1987 - March 31, 1988

Asset mix advisors, Confed Investment Counselling Limited, met with the Investment Committee on a quarterly basis (May, September, December, February) during the year ended March 31, 1988.

Confed's asset mix Long-Term Target recommendation has remained unchanged during that time, as follows:

Canadian Equities	25%
U.S. Equities	10%
Bonds	50%
Mortgages	0%
Short-Term	15%

During the same time period, each of Confed's recommendations has been adjusted to reflect the then current market conditions following the October 19, 1987 market adjustment:

	May	Sept.	Dec.	Feb.
Canadian Equities	0%	0%	5%	5%
U.S. Equities	5%	5%	10%	10%
Bonds	50%	50%	50%	45%
Mortgages	0%	0%	0%	0%
Short-Term	45%	45%	35%	40%

APPENDIX D

Statement of Fund Assets

MARCH 31, 1988

	Cost		Market Value	
Cash	$ 840,819	0.1%	$ 840,819	0.1%
Accounts Receivable	9,228,601	1.3%	9,228,601	1.2%
Accrued Interest Receivable	17,133,483	2.3%	17,133,483	2.2%
Sub-total	27,202,903	3.7%	27,202,903	3.5%
Short-Term Deposits	118,088,926	16.0%	118,088,926	15.3%
Bonds and Debentures (See Below)	520,674,647	70.4%	554,152,328	71.9%
Mortgages	3,899,673	0.5%	3,899,673	0.5%
Equities - Canadian	23,577,091	3.2%	26,477,986	3.5%
- U.S.	45,737,872	6.2%	40,831,552	5.3%
Total	$739,181,112	100.0%	$770,653,368	100.0%

BONDS AND DEBENTURES BY SECTOR

	Cost		Market Value	
Federal	$154,064,243	20.8%	$175,653,139	22.8%
Provincial	136,663,235	18.5%	138,076,894	17.9%
Provincial Guaranteed	157,727,142	21.3%	167,069,764	21.7%
Municipal	7,436,625	1.0%	7,719,936	1.0%
Total Government	455,891,245	61.6%	488,519,733	63.4%
Corporate	64,783,402	8.8%	65,632,595	8.5%
Total	$520,674,647	70.4%	$554,152,328	71.9%

FIVE-YEAR SUMMARY

Year Ended March 31	Annual Return on Investment	
	Cost Basis	Market Value Basis
1984	11.43%	4.42%
1985	11.85%	23.99%
1986	11.93%	25.72%
1987	13.15%	12.53%
1988	10.98%	3.36%

The annualized return for these last five years was 11.97%.

PROVINCE OF NOVA SCOTIA

NOVA SCOTIA TEACHERS' PENSION FUND

FINANCIAL STATEMENTS

MARCH 31, 1988

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND
FINANCIAL STATEMENTS
MARCH 31, 1988

CONTENTS

	Page
Auditor's Report	1
Balance Sheet	2
Statement of Continuity of Fund	3
Notes to Financial Statements	4

Nova Scotia

Auditor General

PO Box 793
Halifax, Nova Scotia
B3J 2V2

AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Teachers' Pension Commission and to
the Minister of Finance

I have examined the balance sheet of the Nova Scotia Teachers' Pension Fund as at March 31, 1988 and the statement of continuity of fund for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly, included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at March 31, 1988 and the continuity of the Fund for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

O.P. Cormier

O.P. Cormier, F.C.A.
Auditor General

Halifax, Nova Scotia
July 22, 1988

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND
BALANCE SHEET
AS AT MARCH 31, 1988

ASSETS

	1988	1987
Cash	$ 840,819	$ 1,021,224
Accounts receivable	9,228,601	8,486,593
Accrued interest receivable	17,133,484	15,801,189
	27,202,904	25,309,006
Investments (Note 2)		
Short term deposits	118,088,926	82,407,336
Bonds and debentures	520,674,647	526,603,278
Mortgages	3,899,672	5,013,260
Common and preferred shares	69,314,963	17,878,117
	711,978,208	631,901,991
	$739,181,112	$657,210,997

LIABILITIES AND FUND BALANCE

Accounts payable	$ 6,317,317	$ 5,018,507
Fund Balance	732,863,795	652,192,490
	$739,181,112	$657,210,997

APPROVED

Greg Kerr

Minister of Finance

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND
STATEMENT OF CONTINUITY OF FUND
FOR THE YEAR ENDED MARCH 31, 1988

		1988	1987
Balance, beginning of year		$652,192,490	$568,153,269
Add:	Teachers' contributions	30,231,360	27,004,026
	Government contributions	30,231,360	27,004,026
	Purchase of prior service	3,237,014	2,286,916
	Transfers from other pension funds	1,066,719	774,650
	Income earned on investments	70,115,107	65,296,786
	Amortization of discount and premium on investments	839,301	780,822
	Gain on sale of investments (Note 3)	426,379	8,906,451
		136,147,240	132,053,677
Deduct:	Expenses (Note 4)	914,937	418,544
	Pensions paid	52,143,196	45,394,857
	Refund of contributions	1,163,982	1,045,404
	Transfers to other pension funds	1,253,820	1,155,651
		55,475,935	48,014,456
Balance, end of year		$732,863,795	$652,192,490

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

1. Authority

Teachers in the Province are entitled to receive pension benefits pursuant to the provisions of a plan established under the Teachers' Pension Act. The operation of the plan is conducted within the Teachers' Pension Fund to which teacher and employer matching contributions and investment income are credited, and payments to pensioners and terminating teachers are charged. The Teachers' Pension Fund is invested in federal, provincial, municipal and corporate securities and mortgages eligible for investment under the Provincial Finance Act.

2. Valuation of Investments

Bonds, debentures and coupons of $520,674,647 (1987, $526,603,278) are valued at cost adjusted for the amortization of discounts and premiums over the life of the related security. The face value and the market value of these bonds, debentures and coupons as at March 31, 1988, were $541,381,500 (1987, $547,977,500) and $554,152,328 (1987, $598,731,650) respectively. Generally, investments in bonds and debentures are made with the intention to retain them until maturity at which time they are redeemed for their face value, unless there is an opportunity to exchange or dispose of the bonds and debentures to obtain a higher yield.

Mortgages of $3,899,672 (1987, $5,013,260) are valued at their cost and face value adjusted for amortization of premiums and discounts over seven years.

Short term investments are shown at their cost and face value of $118,088,926 (1987, $82,407,336) at March 31, 1988.

Common and preferred shares are valued at a cost of $69,314,963 (1987, $17,878,117) at March 31, 1988. The market value of these equity investments at that date was $67,309,538 (1987, $25,014,156).

3. Gains and Losses on Investments

Gains and losses on bonds and debentures exchanged to obtain a higher yield, as well as gains and losses on disposals of common and preferred shares, are credited or charged to income in the year of disposition.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA TEACHERS' PENSION FUND
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1988

4. Administration Expenses

The Fund is charged with expenses of the Teachers' Pension Commission and expenses incurred on behalf of the Fund by the Trust and Debt Management section of the Department of Finance.

	1988	1987
Salaries	$293,334	$171,788
Supplies and services	56,174	45,647
Professional and special services	222,625	176,433
Travel	16,069	10,457
Pension administration computer system	315,579	-
Other	11,156	14,219
	$914,937	$418,544

5. Actuarial Valuation

Actuarial valuations of the Teachers' Pension Fund are required every three years by the Teachers' Pension Act, and provide an estimate of fund liabilities at a point in time, calculated on a basis of various assumptions with respect to pension plan costs and rates of return on investments. The latest report on the actuarial valuation of the Teachers' Pension Fund was dated October 1986, and based on information as of July 31, 1984.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the projected average salaries at the date of retirement. The actuarial valuation at July 31, 1984, includes assumptions on inflation, rates of return on investments, and an allowance for salary increases based upon service and promotion and increases for non-promotional reasons. The actuarial valuation indicates that at July 31, 1984, the Fund had estimated actuarial liabilities with a present value of $1,127,125,000 assets of $456,652,000, and an estimated unfunded actuarial deficiency of $670,473,000.

APPENDIX X

Business Capital Corporation

Meeting Summary
June 14, 1989

plus:

X-a...Material provided
following
the above meeting

APPENDIX X

SUMMARY

Meeting of
Wednesday, June 14, 1989
9:30 to 11:30 a.m.

Location: Legislative Chamber
Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. George Archibald
Hon. G. David Nantes
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Mr. Vincent J. MacLean, M.L.A.
Mr. Ross Bragg, M.L.A.
Mrs. Alexa McDonough, M.L.A.

Replacement:
Mr. Leroy Legere, M.L.A. replaced Hon. Donald McInnes

Ms. Dianne Stillman, Committee Secretary

Witnesses:
Representing the Business Capital Corporation:

Mr. Norman S. MacNeil, President

Mr. Robert Shaw, Chairman

Committee Business

The Chairman called the meeting to order and welcomed the witnesses. He invited them to make a brief opening statement.

Mr. Shaw briefly told the Committee of the Corporations activities since their previous appearance before a Committee of the House.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Shaw:
-requested breakdown of where in loans were granted in Nova Scotia, by county.	-agreed.
	Mr. MacNeil:
-how many loans are in arrears; for how much; requested a breakdown.	-about 15%, over three months; approx. $12 million to $15 million out of a fund of $206 million t $208 million.
-explain Grand Pre Wines situation.	-Clarkson Gordon were appointed receivers in February and operated winery since; publicly requested proposals, 80 interested, 10-12 submitted proposals - all were rejected by receivers; more proposals requested - closed last month -being reviewed.
-how much money has province invested in Grand Pre Wines.	-$908,000 (loan $572,000 plus interest of $86,000 and equity loan under Venture Capital of $250,000).
Mr. Bragg:	
-re Grand Pre Wines: how much was paid in receiver fees to date.	-approximately $25,000.
-re Suttles and Seawinds: was Mr. MacNeil involved.	-not until April 1, 1989 when it became the responsibility of BCC.
	Mr. Shaw:
-was Mr. Shaw involved with Suttles and Seawinds.	-as Mr. MacNeil said; sold off a property on South Shore that belonged to company.
	Mr. Shaw/Mr. MacNeil:
-who was it sold to; how much did you receive for it; how much was the loan outstanding; loss of $40,000.	-Gary Bardon, the owner of Suttles and Seawinds; $50,000; $89,000; yes.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. MacNeil:
-any current loan applications for Suttles and Seawinds; over the past five years.	-no; not to BCC.
-re Hospitality Ventures Ltd. of Liverpool: what was net loss to province.	-under Industrial Loan Act - $457,000 plus interest arrears of $121,000 - in arrears for a number of years.
-why would that be allowed to happen; what happened in past year; why was it in such a state when you took over.	-cannot answer prior to past year; tried to get it up to date; don't know.
-prior agency was Resources Development Board - same staff as on Business Capital Corp. now; not a case of a different company.	-yes; true.
-you, as President, must know what happened; why; did you ask him why he didn't act.	-do not have the information; someone else ran the Resources Development Board; no.
-what was rate of interest.	-15 year loan at 11.5%.$628,000 ($457,000 loan plus $121,000 interest arrears plus equity loan under the Venture Capital Program.)
-what was net loss.	
-municipal taxes and realty fees.	-taxes: $32,000..total $52,000.
-what did it sell for; loss of $326,000.	-received $302,000 in cash; yes.
-commented that the Minister of Small Business Development said the loss was $150,000.	-maybe he wasn't including interest.
-were there any other recoveries.	-no.
-who were the owners; the former President of the PC Association in the area and a Judge appointed by this PC government.	-Gerald Freeman and Robert Stafford.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. MacNeil:
-what is policy on accounts in arrears; when do you foreclose.	-try to keep up to date and take socio-economic impact on community into account; let it go on longer than banks - more of a development agency than financial institution.
-who do you report to Mr. MacNeil.	-to the Board, which reports to the Minister of Small Business Development.
	Mr. Shaw:
-who do you report to Mr. Shaw.	-the Minister of Small Business Development.
	Mr. MacNeil:
-did you consult the Minister on Hospital Ventures; who did; did he talk to you; who arrived at the settlement; any previous discussion with Minister on this business; did he instruct you as to what to do; did principals of company deal with Minister.	-no; Minister of Industry, Trade & Technology; no; BCC special accounts officer report settlement to me, I reviewed it and was satisfied, then made recommendation to Minister and he approved it; ongoing discussions over the past four months; received no direction from Minister; not to my knowledge.
-who made the proposal.	-Hospital Ventures.
-before becoming President of BCC, what he did; must have known Hospitality Ventures situation; how many in such bad shape.	-was with IEL; have about 250 accounts; between 40 and 60.
-re Portland Estates: how much do they owe, how many years in arrears; what is security; what has the Attorney General Directed; what is current status.	-$456,339.68 as of March 31/89; 5 or 6 years in arrears; yes; yes - commented that Portland Estate is not a BCC account but is administered by the Attorney General's Dept.; last year Att. General took steps to recover funds outstanding; more appropriate to ask the Attorney General's Office.

Questions/Comments by Members:	Replies:
Mr. MacLean:	Mr. MacNeil:
-re MER Ventures: June 30/88 doubtful - $475,000 - how much this year; interest; still doubtful.	-$475,000; equity loan under Venture Capital Corporation - no interest; yes.
-what is it invested in.	-$50,000 - JCR Fisheries Ltd.; $150,000 - Clearwater Seafoods; $25,000 - Cape Ann Seafoods; $250,000 - Clearwater Seafoods; Dec. 1984, Jan. 1985, July 1985 and July 1985.
-what does Clearwater Seafoods do; what is J.C.R. Fisheries; who was the fishing for; Cape Ann Fisheries; still in operation.	-operate the old Polar Bear fish plant in Port L'Hebert; operates a fishing vessel; do not have that information; fish plant in Yarmouth; yes.
-any money invested in Clearwater Fine Foods; how much in the whole conglomerate; any arrears on it.	-yes; less than $2 million; no, all up-to-date.
-any money invested in Port Mouton plant; national Sea Products Ltd; how much; any arrears; how much in the Lockeport plant.	-I don't believe so; yes; between $45 million and $50 million; all up to date; $1.5 million.
Mr. Bragg:	
-re Clearwater Fine Foods: who owns Clearwater Seafoods; would you grant a loan to a company without settling other account first; why isn't Risley and Clearwater made to clean up the $475,000; which ones came first.	-Clearwater Fine Foods; all accounts would have to be up to date; cannot justify something that took place five years ago; MER Ventures was 1984-85 - the others were assumed by Clearwater when they bought the various companies.
-will the government write off this $475,000; is BCC going to; yet you still do business with the same company; no, same people; is there no obligation to pay these loans back.	-don't know; we will be recommending it; it is a different company; there is no legal obligation to pay back an equity loan under the Venture Capital Pgm.

Questions/Comments by Members:	Replies:
THIRD PARTY	
Mrs. McDonough:	Mr. MacNeil:
-re Venture Capital Program: what has been done about implementing Clarkson and Gordon recommendations; requested a copy of the review when available.	-venture capital committee undertook review of whole program and of Clarkson Gordon review; agreed.
-requested a list of doubtful loans, when finalized.	-agreed.
-any change in failure rate of ventures under this plan cited at 69% a short while ago; reasons for deregistering; how much of total amount of money has to date been lost; how many existing corporations have loans not currently in compliance with requirements of the Act and regulations.	-not a significant change; lack of compliance primarily; looking at approximately $3 million; only one or two.
-why Committee cannot have list of venture capital corporations in receipt of loan monies and their amounts; public dollars-people could conclude that privileged group are receiving taxpayers money.	-relates to confidentiality of doing business; if government directs us to release it, we will.
GOVERNMENT	
Hon. Mr. Moody:	
-explain role of Business Capital Corporation.	-BCC looks after projects over $0.25 million and under $20 million...provides programs, loans and various types of assistance to Nova Scotia firms.
-what percentage would ACOA be involved in; they did have a fairly large input.	-don't have exact figure, but substantial; yes.
-$12 million arrears - total loans or payments in arrears.	-loans.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Nantes:	Mr. MacNeil:
-re Clearwater: all loans were assumed when they purchased other plants; never directly borrowed money from Province; what is their history on payments; consistent.	-yes; that is correct; they are up-to-date; yes.
-re Highland Fisheries, Glace Bay: government involved after fire, otherwise new plant would not have been built; involvement more of a social factor than economic; Clearwater purchased it because owners got out of business;any other competing purchasers.	-yes, agreed; yes; yes; yes; no.
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. Bragg:	
-commented that members are not criticizing the witnesses, but are dwelling on mismanagement of accounts, when government interferes.	
-re Ventureprises Limited - owed $290,000 under Venture Capital Program: who owns it; list shows Charles McGuire as President; in McGuire Communications he does millions of dollars worth of government business; why is his loan being written off.	-shareholders are Insight Employees Ltd. and Backman Ltd.; don't know - not on my list; Ventureprises had unsecured equity loans and as such are not required to be repaid.
-re Grand Pre Wines: receivers taking any other money than $25,000; when will they deal with bids; what is anticipated loss.	-no; before the end of this month; equity investment of $250,000 and difficult to say what principal loss will be.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. MacNeil:
-BCC budget process; current interest rate; undercut bank rates a bit.	-apply to management board and they give BCC a capital fund to work with - this year $20 million; about $4 million worth of proposals; no sometimes they are below us, rate is based on long-term borrowing by Dept. of Finance.
The Chairman:	
-asked for list of companies registered as of April 1, 1989 and list of doubtful accounts for March 31, 1988 and details of investments sold since April 1, 1987.	-agreed.
-asked for a list of members of all boards, subgroups etc.	-agreed.
-re Portland Estates: interest in arrears - $456,000; principal arrears; requested it be forwarded.	-don't have that figure; will provide it later.
-payments made in past year; requested an update on Portland Estates, security and recent developments.	-three payments totally $42,000 for lots.
THIRD PARTY	
Mrs. McDonough:	
-loss of $3 million - actually written off; doubtful accounts are separate; clarify.	-$3 million is proposed to be written off and is part of the $9 million in doubtful accounts out of the total $14 million.
-Auditor General's suggestion that 69% in the category of either written off or doubtful could be a conservative or generous estimate, depending on your view.	-yes.

Questions/Comments by Members:	Replies:
Mrs. McDonough:	
-re MER ventures: Mr. Risley is not expected to repay; he can if he wants to; any concern about the arms length requirements in this instance.	-yes, according to the Program; yes; would have to check file.
-Nov. 30/88 list of venture capital corp. not available to make further investments - explain; requested a report on the number of investments by each of these Venture Capital Corp. before their decision.	-agreed.
-re ACOA: since change in terms of reference, any companies caught in mid-way point; anything to be done for them.	-yes, 6-8 companies; will look at it on a business-like basis.
GOVERNMENT	
No Questions.	
THIRD ROUND- OFFICIAL OPPOSITION	
Mr. Bragg:	
-how many members on Board of Directors; who appoints them.	-twenty-eight; Governor in Council.
-re MER Ventures: what happened to the fishing boat, JCR Fisheries.	-don't have that information with me.
THIRD PARTY	
Mrs. McDonough:	
-status of criminal charges against two Venture Capital companies; elaborate.	-not criminal charges, civil; proceeding with legal action to recover our funds - cannot elaborate, as matter is still in progress.

Other Business:

Discussion took place on correspondence received from Mrs. Eileen Stubbs. It was decided that this would be looked into at a future meeting.

Also, the replacement of Members at meetings held outside of the Session was discussed. It was decided to bring this up before the House for a ruling.

Meeting adjourned: 11:12 a.m.

APPENDIX X-a

Nova Scotia

Business Capital
Corporation

Joseph Howe Building
5th Floor
1690 Hollis Street
Halifax Nova Scotia
Canada B3J 2V2

902 424-6800
Telex 019-22517
Telecopier 902 424-6823

September 5, 1989

Mr. W. Gillis
Chairman
Public Accounts Committee
House of Assembly
Province of Nova Scotia
Halifax, Nova Scotia

Dear Mr. Gillis:

I enclose the following information as requested by the Committee during the Business Capital Corporation's appearance on June 14, 1989:

1. Summary of Financial Assistance by County
   (Attachment "A")

2. Committee Structure and Membership
   (Attachment "B")

3. Details of Shareholders and Investments of Ventureprises Limited
   (Attachment "C")

4. Details of Allowance For Doubtful Accounts

	March 31, 1989	March 31, 1988
N.S.B.C.C.	$ 2,383,763	$ -
Industrial Estates Ltd.	9,667,404	9,254,724
Industrial Loan Fund	5,541,985	4,984,713
Industrial Expansion Fund	48,290,317	51,696,784
Venture Capital Fund	6,453,764	9,150,043
Total	$72,337,233	$75,086,264

...../2

5. Details of Investments Sold

Fiscal Year - 1987-88	No Investments Sold
Fiscal Year - 1988-89	No Investments Sold

6. Loan Arrears - May 1989
(Attachment "D")

7. Accounts Written Off

March 31, 1988	
Industrial Loan Fund	NIL
Industrial Expansion Fund	
Canflock Industries Ltd.	$ 232,775.00
Gullrock Seafoods Ltd.	876,569.68
Scotsville Mineral Resources	859,796.38
Industrial Estates Limited	NIL
March 31, 1989	Not Finalized

8. List of Inactive Venture Capital Companies and number of investments made prior to November, 1988
(Attachment "E")

Yours sincerely,

N.S. MacNeil
President and C.E.O.

NSM/bmw
Enclosures

ATTACHMENT "A"

NOVA SCOTIA BUSINESS CAPITAL CORPORATION

SUMMARY OF FINANCIAL ASSISTANCE BY COUNTY

APRIL 1, 1988 - MARCH 31, 1989

County	Number of Investments	Total Dev. Value/Cost	B.C.C. Financial Assistance
Annapolis	2	$ 3,910,000	$ 250,000
Antigonish	1	50,000	25,000
Cape Breton	3	5,632,000	1,950,000
Colchester	3	4,928,000	1,889,000
Digby	2	3,737,000	3,712,000
Guysborough	1	9,814,000	900,000
Hants	3	9,196,000	4,519,000
Halifax	9	29,497,000	8,223,000
Inverness	2	1,047,000	700,000
Kings	5	17,918,000	7,752,000
Lunenburg	1	2,070,000	1,275,000
Yarmouth	2	6,647,000	4,442,000
Total	34	$94,446,000	$35,637,000

ATTACHMENT "B"

NOVA SCOTIA BUSINESS CAPITAL CORPORATION
Committee Members

April 1, 1989

EXEC COMMITTEE	RESOURCE/MFG *	TOURISM COMMITTEE *	VENTURE COMMITTEE *	BUS & IND PROP *	FIN/AUDIT *
1. R. SHAW (C)	1. J. ZATZMAN (C)	1. D. CAMPBELL (C)	1. J. CARTER (C)	1. G. MCDADE (C)	1. K. MADER (C)
2. HON. K. STREATCH	2. M.J. ANDREWS	2. J. GRANT	2. G. BAKER	2. J. GRANT	2. M.J. ANDREWS
3. D. CAMPBELL	3. J. BRAGG	3. C. MACKENZIE	3. B. DICKEY	3. M. MACQUEEN	3. G. BAKER
4. J. CARTER	4. P. GAUM	4. M. MACQUEEN	4. M. GODFREY	4. K. ROWE	4. J. BRAGG
5. A. JANEGA	5. H. JACQUES	5. F. NICHOLS	5. L. STEVENSON	5. R. SHAW	5. F. NICHOLS.
6. N. MACNEIL	6. A. JANEGA	6. C. SHAW	6. D. TINGLEY	6. L. STEVENSON	6. R. WEARY
7. G. MCDADE	7. P. JOHNSTONE				
8. K. MADER	8. G. MCDADE				
9. J. ZATZMAN	9. K. MADER	QUORUM - 3	QUORUM - 3	QUORUM - 3	QUORUM - 3
	10. J. NICKERSON				
QUORUM - 4	11. K. RAYMOND				
	12. K. ROWE				
	13. R. WEARY				
	QUORUM - 7				

* Hon. K. Streatch, Mr. R. Shaw and Mr. N. MacNeil may attend committee meetings as ex-officio members.

The quorum for a meeting of the Board of Directors has been set at 12.

ATTACHMENT "C"

NOVA SCOTIA BUSINESS CAPITAL CORPORATION
VENTURE CAPITAL PROGRAM

as at March 31, 1989

VENTUREPRISES LIMITED - $290,000

40,000 -	September, 1981 an equity loan of $40,000 was approved to allow an investment of $80,000 in Wanderlust Motor Home Rentals Limited;
50,000 -	November 22, 1982 an equity loan of $50,000 was approved to allow an investment of $100,000 in Les Deux Amies (1982) Limited;
200,000 -	June 18, 1984 an equity loan of $200,000 was approved to allow a $400,000 investment in Northeast Publishing Limited (Atlantic Insight Magazine);
$290,000	

All of the above operations have gone bankrupt and there is no chance of recovery of funds.

Shareholders	- Beckmar Limited (Charles McGuire 50% Cliff Sharp 50%)	26.66%
	- Insight Employees Limited (Jack Daley, Roger Daigneault)	13.34%
	- Insight Invest Holdings Ltd (Cliff Sharp, President)	33.34%
	- Batten Industries Limited (Ontario)	26.66%
		100%

Officers:	Directors:
Jack M. Daley	Jack M. Daley
Charles M. McGuire	Charles M. McGuire
Cliff Sharp	Cliff Sharp
Roger Daigneault	RogerDaigneault

ATTACHMENT "D"

NOVA SCOTIA BUSINESS CAPITAL CORPORATION

LOAN ACCOUNTS IN ARREARS

MAY 31, 1989

	((((INVESTMENTS))))		((((((((((((((((((((ARREARS))))))))))))))))))))			
NAME OF FUND	# OF ACCOUNTS	TOTAL OUTSTANDINGS	# OF ACCOUNTS	PRINCIPAL ARREARS	INTEREST ARREARS	TOTAL ARREARS
INDUSTRIAL EXPANSION FUND	57	164,360,751	13	5,008,430	4,220,912	9,229,342
INDUSTRIAL LOAN FUND	81	31,332,652	17	771,058	424,439	1,195,497
VENTURE CORPORATIONS ACT	63	15,519,473	0	0	0	0
INDUSTRIAL ESTATES LTD.	39	31,149,754	2	27,299	35,435	62,734
N.S. BUSINESS CAP. CORP.	9	3,815,362	0	0	0	0
	249	246,177,992	32	5,806,787	4,680,786	10,487,573

ATTACHMENT "E"

NOVA SCOTIA BUSINESS CAPITAL CORPORATION
registered Venture Capital Corporations (VCC's)
March 31, 1989

The following VCC's have indicated that they are not available to make further investments at this time:

	NUMBER OF INVESTMENTS MADE PRIOR TO NOVEMBER/1988
ACTIVE VENTURES INCORPORATED c/o Frederick C. Hansen, President 6100 Young Street Halifax Nov Scotia B3K 2A4 telephone (902) 455-0411	1
ARTILLERY VENTURE CAPITAL LIMITED c/o Thomas E.G. Lynch, President 5525 Artillery Place, Suite 200 Post Office Box 3422, South Halifax, Nova Scotia B3J 3J1 telephone (902) 423-6295	1
BETA VENTURE INVESTMENTS MANAGEMENT LIMITED c/o Alton Toole, President 355 Vimy Road, Truro Colchester County, Nova Scotia B2N 4K3 telephone (902) 893-2233	1
BLUENOSE VENTURE CAPITAL LIMITED c/o Harry Hoi Kwan Wong, President Post Office Box 1600, Liverpool Queens County, Nova Scotia B0T 1K0 telephone (902) 354-5723	1
BRYSON VENTURE CAPITAL LIMITED c/o E.D. Bryson, President 1888 Brunswick Street, Suite 820 Halifax, Nova Scotia B3J 3J8 telephone (902) 429-5652	4
CAPE BRETON AQUACULTURE VENTURES LIMITED c/o Harvey L. Webber, President 314 Charlotte Street, Sydney Cape Breton County, Nova Scotia B1P 1C7 telephone (902) 564-8324	1

CHETICAMP VENTURE CAPITAL LIMITED
c/o Raymond Doucet, President
Post Office Box 40, Cheticamp 1
Inverness County, Nova Scotia
B0E 1H0
telephone (902) 224-2066

COLCHESTER VENTURES LIMITED
c/o Gerald P. Scanlon
56 Elm Street 2
Post Office Box 1435, Truro
Colchester County, Nova Scotia
B2N 5V2
telephone (902) 895-9249

CONSOLIDATED VENTURE CAPITAL LIMITED
c/o Ralph Medjuck, President
Post Office Box 1074
Halifax, Nova Scotia 2
B3K 2X1
telephone (902) 429-4061

DEXTER EQUITY INVESTMENTS LIMITED
c/o Carl B. Potter, President
212 Rocky Lake Drive 0
Post Office Box 70, Bedford
Halifax County, Nova Scotia
B4A 2X1
telephone (902) 835-3381

DIRECT INVESTMENTS LIMITED
c/o David Read, President
33 Alderney Drive, Dartmouth 3
Halifax County, Nova Scotia
B2Y 2N4
telephone (902) 465-7303

ENTREVEN COMPANY LIMITED
c/o Trenholm Lodge, President
Post Office Box 224, Dartmouth 2
Halifax County, Nova Scotia
B2Y 3Y3
telephone (902) 466-7471

FUNDY VENTURES LIMITED
c/o Malcolm Inglis, Secretary Treasurer
Post Office Box 460, Bridgetown 8
Annapolis County, Nova Scotia
B0S 1C0
telephone (902) 665-4466

GROWTH EQUITY VENTURES LIMITED
c/o Keith O. Raymond, President 1
Post Office Box 261, Digby
Digby County, Nova Scotia
B0V 1A0
telephone (902) 245-2457

INTERMART VENTURES INCORPORATED
c/o Frank Mattheson, President
11 Akerley Boulevard, Suite 200
Dartmouth, Nova Scotia 2
B3B 1V7
telephone (902) 463-4847

KARMA CAPITAL INCORPORATED
c/o Malcolm W. Stebbins, President
29 Litchfield Crescent
Halifax, Nova Scotia 1
B3P 2N4
telephone (902) 477-3709

MacRIEF VENTURE CORPORATION LIMITED
c/o Robert MacFarland, Director
3507 Kempt Road 1
Halifax, Nova Scotia
B3K 4X6
telephone (902) 454-9351

MER VENTURES LIMITED
c/o John C. Risley, President
Post office Box 310, Bedford
Halifax County, Nova Scotia 4
B4A 2X3
telephone (902) 443-0550

MINAS VENTURES INCORPORATED
c/o John W. Petrie, President
Post Office Box 130, Prince Williams
Kings County, Nova Scotia 1
B0P 1T0
telephone (902) 542-2828

NORTHERN NOVA MANAGEMENT SERVICES LIMITED
c/o James M. Laceby, President
Lorneville, Rural Route No.2, Amherst
Cumberland County, Nova Scotia 2
B4H 3X9
telephone (902) 667-4799

OCHTERLONEY INVESTMENTS LIMITED
c/o Trenholme Lodge, President 5
Post Office Box 634, Dartmouth
Halifax County, Nova Scotia
B2Y 3Y9
telephone (902) 466-7471

PAN-MAR VENTURES LIMITED
c/o P. Stanley Sephton
1470 Summer Street, Apt.1602
Halifax, Nova Scotia 3
B3H 3A3
telephone (902) 423-6968

PLETHORIC INVESTMENTS LIMITED
c/o Alan E. Mitchell, President
Post Office Box 5096, Armdale
Halifax, Nova Scotia
B31 2M6 5
telephone (902) 477-5658

PREFERRED INVESTMENTS CORPORATION LIMITED
c/o Ian MacLeod, President
Grand River
Richmond County, Nova Scotia 3
B0E 1M0
telephone (902) 587-2264

RAGGED LAKE DEVELOPMENT INCORPORATED
c/o Rolf-Ingo Strackerjan, President
20 Willowbend Crescent 1
Halifax, Nova Scotia
B3M 3L4
telephone (902) 443-2060/873-3611

SMALL BUSINESS EQUITY LIMITED
c/o Edd W. Twohig, C.A., President
Post Office Box 3638 South 4
Halifax, Nova Scotia
B3J 3K6
telephone (902) 422-9260/469-8444

STAMPBART EQUITIES LIMITED
c/o Barry E. Bartlett, President
Air Industrial Park, Debert 1
Colchester County, Nova Scotia
B0M 1G0
telephone (902) 662-2545

TRIPARTE VENTURES INCORPORATED c/o James Barr, Vice President Post Office Box 808, Truro Colchester County, Nova scotia B2W 5E8 telephone (902) 895-2848	1
TWEEDSMUIR VENTURES LIMITED c/o Frank Metcalf, President 1459 Hollis Street Halifax, Nova Scotia B3J 1V1 telephone (902) 420-1990	1
TOTAL INVESTMENT	63

APPENDIX XI
Auditor General of Canada

Meeting Summary
August 30, 1989

plus:

XI-a...Material provided following
the above meeting

SUMMARY

Meeting of
Wednesday, August 30, 1989

Location: Legislative Chamber, Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Hon. George Archibald
Hon. G. David Nantes
Vincent J. MacLean, M.L.A.
Ross Bragg, M.L.A.
Alexa McDonough, M.L.A.

Substitute: Hon. Donald W. Cameron

Dianne Stillman, Committee Secretary

Absent:

Hon. Donald McInnes

Witnesses:

Mr. Kenneth Dye, Auditor General of Canada
Mr. David Marshall, Assistant Auditor General
Mr. Bill Woodley, Principal, Audit Operations

Committee Business

The Chairman called the meeting to order. A brief discussion took place on the extension of one hour to the length of the meeting, before the Chairman introduced the witnesses and invited Mr. Dye to make an opening statement.

In his remarks, Mr. Dye presented his position on the Offshore Development Fund and advised that, following a tour of the specific sites mentioned in Chapter 10 of his 1988 report, he remained of the same opinion.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Dye/Woodley/Marshall:
-still have same opinion as in Annual Report; personal feelings or based on proper accounting principles; Premier's comments about vendetta.	-I am generally of the same view; audit of federal government, not N.S.; untrue and I don't like him to say that.
-whose responsibility for proper planning of spending; provincial planning detail.	-federal government to the federal parliament; no overall provincial plan. Substantiations were incomplete, vague and inadequate.
Mr. Bragg:	
-re Sheet Hbr. Industrial Park: response to enquiries, if any; reason given for relation to offshore; justification.	-questioned relationship to offshore; had problem relating to offshore because from the federal perspective, Sheet Hbr. was not the preferred choice; documentation was incomplete and did not link the project to the offshore.
-re East and West Petpeswick Bridges: response of Federal officials; changes to approval process since report.	-federal officials are embarrassed...relationship not adequately explained; Hon. Jake Epp has announced that no further projects would be approved without proper justification.
-if report addressed the problem of over-claims being offset by under-claims.	-Yes.
Mr. MacLean:	
-re vocational/technical pgms.: types of programs included in the $22.7 million; was expenditure justified; federal PAC response to suggestion that moneys be repaid to fund; should $100 million for other projects also be repaid.	-welding, drafting, cooking, denture technician, photography and stenography; only welding appeared to be related; my view is it should be restored to fund and used for eligible projects; not for me to answer.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Dye/Woodley/Marshall:
-where were population growth estimates compiled; was there a provincial or federal assessment.	-Mobil Oil was the main developer and it was in their projections; Stats Canada do a 5 year projection and contained nothing substantial to sustain that point.
-who approved expenditures provincially.	-only saw applications signed by Minister of Development. Not aware of others.
THIRD PARTY	
Mrs. McDonough:	
-key to where things went astray; should it be prevented in future; was the approval mechanism at fault or violation or non-compliance of same.	-accounting mechanisms could be vastly improved...poor documentation; had there been a better definition of the infrastructure, much less confusion.. Treasury Board set terms and conditions and did not insist on compliance.
-re repayment of $20 million: if federal approval was given, why should province repay; status of this proposal.	-seems logical that money should be spent on eligible projects; nothing yet.
-if there were indications of fraud or undue influence, etc., would steps be taken to investigate or lay charges.	-in such cases, I normally recommend that the Minister contact the Attorney General and call in the police...no evidence in our files to suggest fraudulent activity.
-any attempt to determine beneficiaries (if any) of these spending decisions.	-not looked at process in terms of beneficiaries...most contracts awarded by public tender and seem to be legitimate.
GOVERNMENT	
Hon. Mr. Cameron:	
-definition of indirect; provide Committee with list of projects that did/did not fall	-a relationship to the oil/gas industry or to exploration, development, production, trans-

Questions/Comments of Members:	**Replies:**
Hon. Mr. Cameron:	Mr. Dye/Woodley/Marshall:
under direct or indirect; only about three in chapter, is that the total.	-Direct: activities and facilities to be used primarily for offshore oil and gas exploration, development and transportation. Indirect: activities or facilities that support offshore oil and gas but may also contribute to other sectors of the economy; it is in the chapter; Chapter contains the total of the large projects ..did not go into detail on smaller ones.
-re Exhibit 10.3 - landfall at Country Harbour: where was that information obtained; was any effort made to see that this was correct information; NSRL advised PAC in 1987 that Sheet Hbr. would be the site.	-from a 1983 Mobil document; NSRL information was not given to our auditors.
[Interjection by Chairman: although projected on a screen, map was not made available to the PAC at that time.]	
- do you now agree there is a direct/indirect link to offshore.	-no way to link this to offshore, using evidence given to auditors.
-$200 million fund was at first a loan based on decision by two Ministers; do you believe that elected people can make & act on these decisions; Treasury Board documentation - made by Ministers or civil servants; should they not abide by the agreement; did Ministers sign additional agreement.	-it was never a loan, it was a shareable contribution; my role is to hold government of the day accountable; Cabinet Ministers of the Treasury Board - there was documentation subsequent to the agreement; not sure...Ministers agreed that the Treasury Board shall set up terms and conditions..both Ministers signed that.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Cameron:	Mr.Dye/Woodley/Marshall:
-accused AG of allowing office to be used by Opposition for political gain.	-reject categorically any suggestion of political interference.
-stated that it is not AG's role to decide relationship to offshore - decisions should be made by elected people.	-our role is to point out to parliamentarians what has gone on. Then it is up to parliamentarians to decide next step.
SECOND ROUND - OFFICIAL OPPOSITION	
Mr. MacLean:	
-excepting two ministers involved, what was impression of federal PAC; were Minister's reports contrary to actual spending; Federal Parliament was misled by the report of the federal Minister; who was the Minister at the time; reaction of federal PAC.	-impressions would be mostly gained from annual reports of the Minister responsible; in case of $20 million salaries issue; that is true; Hon. Marcel Masse; have not polled members.
-re investigation of offshore fund and EMR: did you report to any member of the Liberal Opposition either here or in Ottawa.	-there was no contact with political people by my office.
-re land site: queries made to Offshore Development Board; names of representatives.	-received information with no mention of a connection to the offshore at Sheet Hbr.; will forward list at later date.
Mr. Bragg:	
-re $10 million highway: federal response to AG's investigation.	-they referred us to the material provided by the province.
-re the 'Bridge to Nowhere': connecting roads?	-no. When we visited it yesterday, there were two 'Road Closed' signs on it.

Questions/Comments of Members:	**Replies:**
THIRD PARTY	
Mrs. McDonough:	Mr. Dye/Woodley/Marshall:
-re unfettered authorization of spending by Minister: satisfactory to protect the taxpayers and to carry out wishes of Parliament; any further funds authorized for expenditure in remaining portion of the fund; any made by Nova Scotia Minister.	-some things could be changed in future agreements; not aware of any since report was tabled; not aware of any; audit follow-up process takes place two years later.
GOVERNMENT	
Hon. Mr. Moody:	
-would highways play a role in offshore activity, directly or indirectly.	-government officials did not indicate this in their substantiation of the project.
-how did the person who took the pictures get to the bridge; road on Musquodoboit Hbr. side built some years before; suggested Mr. Dye agree that bridges have a useful purpose and were not constructed to use up offshore money.	-walked in about 1/2 mile; bridges built 1983-85 - unopened road, assumed used for construction, was first viewed in 1988; there has been some progress since auditors were last there.
-were you the first AG to put out a report in video form; suggested video and appearance at this meeting was to seek attention.	-video made at request of PAC; only trying to get message across, not to seek publicity.
Hon. Mr. Nantes:	
-(to Mr. Woodley) asked about his background regarding road construction techniques/standards; suggested video misled public by not showing the opposite side of the bridge.	-20 yrs. related govt. experience, degrees from U. of T., Queens U. in economics political science and public admin.; audit team comprised of petroleum engineer, geologist, mining engineer, lawyer, regional development specialist, public admin. specialist

Questions/Comments of Members:	**Replies:**
	Mr. Dye/Woodley/Marshall:
	and C.A.s plus an advisory committee of outside experts; no intention to mislead - trying to connect with offshore.
THIRD ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	
-re roads, bridges, etc. - unrelated to offshore; have Federal Ministers made any public comment on report re ODF; recommendations accepted by federal government.	-no subsequent reaction; think that is how they intend to proceed.
Mr. Bragg:	
-details of projects that were turned down.	-federal tradition not to release audit files.
-re federal Public Accounts - Marine Atlantic funding - was it ODF money?	-do not think it was.
-re South Dartmouth residential development/sewer line: did EMR have a logical explanation? has the federal Tory government indicated they will ask the province to repay? will this money still be available for future development, if repaid?	-presented as subproject of Woodside Industrial Park and when we inquired we were informed by city engineer that there was no connection; no commitment of repayment; yes.
Mr. MacLean:	
-any projects that should have been done in relation to the offshore; are there provisions for cost overruns?	-unsure due to lack of audit evidence of a plan; yes, 15%.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Dye/Woodley/Marshall:
-re Apr.21/89 letter to N.S. Auditor General: detail erroneous information provided with reference to the N.S. Nautical Institute.	-re clarification of amount billed to fund, were quoted an understatement of $183,000.
THIRD PARTY	
Mrs. McDonough:	
-expressed regrets at unwarranted attacks on AG and his staff.	
-asked if it was not a fact of life that such money could be spent for a political purpose.	-were looking for connection to the offshore.
-if redrafted, should the agreement have monetary constraints and conditions related to the offshore.	-it is a matter for discussion.
-thanked him for his cooperation and again stated that he had been unfairly attacked by government members.	-suggested an apology was in order.
[Interjection by Chairman: stated categorically that he had received no such tips from the federal Auditor General's office as implied by Mr. Cameron.]	
GOVERNMENT	
Hon. Mr. Nantes:	
-re population projections: asked if AG was aware that part of the area includes the Cole Harbour Census Track; and that it was the ninth highest growth	-not in a position to debate the rate of growth; checked Census Canada data and the estimate by Mobil.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Nantes:	Mr. Dye/Woodley/Marshall:
rate of census tracks in Canada, with the next highest being in Ontario; commented that the AG stated earlier that population growth was not going to happen in these areas; why not go to Census Canada for information; commented that he would be prepared to help AG staff to get the information they had missed.	
-re Woodside Ferry: commented that the AG was unaware of the kinds of traffic problems experienced in metro.	-interested only in relationship to offshore.
Hon. Mr. Cameron:	
-re Bridges: why was photo taken deceptively; how did he suppose bridges were constructed without roads; all-weather highway (without pavement) on other side; accused AG of being misleading.	-not a highway - a road that can be used for construction; sign on road indicates it is not usable and it is not a highway.
-cost of video; cost of bringing staff to Halifax today.	-$25-26,000.; approx. $3000.
-re salaries: agreement does not state that salaries cannot be included; who made conditions; guidelines designed by Civil Service and not by Ministers.	-clearly states above signatures that no Nova Scotia salaries shall be included; provincial and federal co-chairman; disagree.
FOURTH ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	
-did federal OIC authorize Treasury Board to set down criteria.	-I believe they did.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Dye/Woodley/Marshall:
-one-quarter of fund spent in riding of federal minister (Hon. E. MacKay) - was he aware of criteria?	-terms and conditions well known on both sides.
-despite traffic problems, projects were unrelated to the offshore - correct?	-correct.
-any indication from govt. of Nova Scotia as to why these projects were developed; any documents or charts tabled; then the criteria was incomplete, weak, vague and inadequate.	-no; no useful information to rely on; correct.
THIRD PARTY	
Mrs. McDonough:	
-asked him to table document.	-agreed.
-asked him to table audit evidence documents; in AG's view, if there is any reason to withhold that documentation.	-audit evidence are not public documents; suggest you get it through provincial officials; see no reason why it could not be available.
GOVERNMENT	
Hon. Mr. Archibald:	
-commented that the AG's video was, in his view, for mischief purposes only.	-object to slurs on character.
-commented that projects were approved in anticipation of high oil prices.	-your information on oil prices is not in accord with ours.
MOTION (Mr. MacLean)	
-that a list of the projects submitted on behalf of Nova Scotia to the federal govern-	

Questions/Comments by Members:

MOTION...

ment that were not approved (if the list exists) be provided to the Members of the Committee.

Speaking to the Motion:

Hon. Mr. Cameron - I do not know if there is any list available.

Vote by show of hands.

--MOTION DEFEATED.

Meeting adjourned: 12:30 p.m.

APPENDIX XI-a

OFFICE OF THE AUDITOR GENERAL

CANADA

BUREAU DU VÉRIFICATEUR GÉNÉRAL

240 Sparks Street
Ottawa, Canada
K1A 0G6

14 September 1989

Ms. Dianne Stillman
Standing Committee on Public Accounts
Nova Scotia House of Assembly
Legislature Committees Office
1740 Granville Street
Halifax, Nova Scotia
B3J 2X1

Dear Ms. Stillman:

Further to the undertaking made by the Auditor General at page 375 of your Committee's proceedings (Hansard) of August 30, 1989, I am providing a copy of the agreement setting out the terms and conditions pertaining to projects under the Offshore Development Fund.

I apologize for the delay in getting this material to you but we felt obliged to ensure that it had been placed in the public domain. The agreement was provided by federal officials to the federal PAC in preparing for its June hearings on this topic.

Please let me know if I can be of further assistance.

Yours very truly,

Mark Hill
Principal
Parliamentary Liaison

Attach

CANADA

PRIVY COUNCIL • CONSEIL PRIVÉ

P.C. 1984-3673
15 November, 1984

HER EXCELLENCY THE GOVERNOR GENERAL IN COUNCIL, on the recommendation of the Minister of Energy, Mines and Resources, pursuant to section 85 of the Canada-Nova Scotia Oil and Gas Agreement Act, is pleased hereby to approve the entry into an agreement, substantially in the form set out in the schedule attached hereto, by the Minister of Energy, Mines and Resources with the Minister of Development for the Province of Nova Scotia, providing for the procedure to be followed in making, and the criteria of, proposals for the payment of amounts to Her Majesty in right of Nova Scotia from the Canada-Nova Scotia Development Fund, and the terms and conditions of the payment and repayment of such amounts or part thereof.

CERTIFIED TO BE A TRUE COPY - COPIE CERTIFIÉE CONFORM

Gordon F. Osbaldeston

CLERK OF THE PRIVY COUNCIL - LE GREFFIER DU CONSEIL PRI

Appendix A.

DEVELOPMENT FUND AGREEMENT

THIS AGREEMENT made this 21st day of November of 1984 BETWEEN

THE GOVERNMENT OF CANADA (hereinafter referred to as "Canada") as represented by the Minister of Energy, Mines and Resources,

AND

THE GOVERNMENT OF THE PROVINCE OF NOVA SCOTIA (hereinafter referred to as the "Province"), as represented by the Minister of Development.

WHEREAS Canada and the Province wish jointly to cooperate in measures associated with energy resource development in the offshore area and wish by this Agreement to provide a framework for the implementation of such measures;

AND WHEREAS Canada has established the Canada-Nova Scotia Development Fund ("Development Fund" pursuant to the Canada-Nova Scotia Oil and Gas Agreement Act);

AND WHEREAS the Governor in Council by Order in Council, P.C. 1984-3673 of November 15, 1984, has authorized the Minister of Energy, Mines and Resources to execute this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor in Council by Order in Council 84-1253, of October 30, 1984, has authorized the Minister of Development to execute this Agreement on behalf of the Province;

NOW THEREFORE the parties hereto mutually agree as follows:

DEFINITIONS

1.1 In this Agreement,

(a) "Act" means the Canada-Nova Scotia Oil and Gas Agreement Act;

(b) "Department" means the federal Department of Energy, Mines and Resources;

(c) "commencement of production" means the earlier of the date agreed by the ministers to be the date on which production of oil or gas from the offshore area commences and the date on which the cumulative production from the offshore area reaches one billion cubic metres of gas or other hydrocarbon equivalent;

(d) "Federal Minister" means the Minister of Energy, Mines and Resources and includes anyone authorized to act on his behalf;

(e) "fiscal year" means the period commencing on April 1st of any year and terminating on March 31st of the immediately following year;

(f) "Ministers" means the Federal Minister and the Provincial Minister;

(g) "offshore area" means the area as defined in the Nova Scotia Offshore Retail Sales Tax Act (Canada);

(h) "Provincial Minister" means the Minister of Development and includes anyone authorized to act on his behalf;

(i) "Proposal" means a proposal for infrastructural costs incurred or to be incurred by the Province directly or indirectly relating to the exploration for or development, production or transportation of oil or gas in the offshore area.

PURPOSE OF AGREEMENT

2.1 The purpose of this Agreement is to provide for

(a) the guidelines and the criteria for proposals; and

(b) the terms and conditions of the payment or repayment of any amount or part thereof, as defined in Part V of the Act, in respect of proposals.

PROPOSALS

3.1 The Provincial Minister shall forward proposals of the Province of Nova Scotia to the Federal Minister.

3.2 The Federal Minister shall without unreasonable delay consider any proposal and in doing so shall take into account, among others, the following factors:

the way in which the proposed expenditures represent the infrastructural costs related to activities in the offshore area;

the social and economic rationale for the proposal;

the extent that projects bear on Canada and Nova Scotia Benefits issues;

the relationship of the proposed projects with other provincial or federal initiatives; and

the existing infrastructures.

3.3 The Province shall provide such information as may reasonably be required by the Federal Minister in order to assist him in making a decision in respect of a proposal.

3.4 The Federal Minister shall inform the Provincial Minister of his decision in writing in respect of a proposal within forty-five (45) days of the receipt of the proposal, including information that may be required pursuant to subsection 3.3.

3.5 Any significant change in the scope, scheduling and funding of proposals which occur after approval of a proposal will be submitted to the Federal Minister for approval.

3.6 Increased costs of individual proposals exceeding 15% of the cost estimates as approved by the Federal Minister, or such other changes as, in the reasonable opinion of the Federal Minister based on information received pursuant to paragraphs 6.1, 6.2, 6.3 and 6.4 may be deemed to be significant change for the purpose of paragraph 3.5.

PAYMENT

4.1 Where the Federal Minister has approved a proposal, one or more payments may be made by Canada in accordance with the provisions of Part V of the Act.

4.2 In order to assist with the interim financing of approved proposals, Canada may make quarterly interim payments to Nova Scotia based on estimates of costs to be incurred by Nova Scotia in respect of approved proposals in the following quarter. The estimates shall be certified by a senior officer of the Province.

4.3 The Province shall account for each interim quarterly payment by submitting to Canada, within three months of the quarter following the quarter in which the payment was made, a statement of the actual expenditures incurred and paid which shall be certified by a senior officer of the Department of Development of Nova Scotia and by or on behalf of the provincial Auditor General. Any discrepancy between the amounts paid by Canada by way of interim payments and actual expenditures incurred and paid by the Province shall be promptly adjusted between Canada and the Province.

4.4 No payment shall be made under this Agreement except in respect of a proposal which is made prior to the commencement of production of oil or gas from the offshore area.

4.5 No payment may be made out of the Development Fund in excess of the balance of the Development Fund.

ADMINISTRATION AND MANAGEMENT

5.1 A Development Fund Committee, made up of two representatives from each of the Federal and Provincial Governments shall be established which will be responsible for monitoring and reviewing the implementation of proposals approved under this Agreement to ensure that the purpose of this Agreement is followed.

5.2 Any member of the Development Fund Committee or his representative shall be permitted to inspect any project at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the project which may be required by the Federal Minister or the Provincial Minister.

REPORTING

6.1 The Province shall keep proper and accurate books, accounts and records of the costs and expenditures incurred or made in respect of any proposal approved under this Agreement and shall, upon request, produce to the Federal Minister for audit and inspection every such book, account or record, and provide access for inspection of any project.

6.2 The Provincial Minister shall ensure that the books, accounts and records with respect to each proposal approved under this Agreement are maintained for not less than three (3) years after the last payment is made to the Province under this Agreement.

6.3 On or before August 31st of each fiscal year, the Province shall submit a status report in respect of proposals approved in accordance with this Agreement.

REPAYMENT

7.1 The Province shall repay to Canada all amounts paid pursuant to this Agreement.

7.2 Repayment shall be made in ten (10) equal annual installments, the first installment to be made thirty-six (36) months after the commencement of production of oil or gas from the offshore area.

7.3 Payments shall be made from the Nova Scotia Offshore Oil and Gas Revenue Fund established by Section 66 of Part III of the Act. If the balance of that Fund is insufficient to meet the Province's obligations under subsection 7.2 the amount of the shortfall shall be added to its obligations for the following year.

NOTICES

8.1 All notices, payments, records and other communications required or permitted hereunder to be given by one party to another shall be in writing and personally served, telexed or telegraphed, or posted by registered mail, postage prepaid, and addressed to the addressee as follows:

CANADA:
Minister of Energy, Mines and Resources
580 Booth Street
Ottawa, Ontario

PROVINCE:
Minister of Development
Halifax, Nova Scotia

or to such other address as either of the parties may from time to time designate by notice in writing to the other. All notices so given shall be deemed to have been received at the time is then in the ordinary course such letter, telex or telegraph should have reached its destination.

PUBLIC INFORMATION

9.1 Any public announcement of proposals generated by this Agreement, shall be mutually agreed by the Ministers.

9.2 In all public information activities, the parties will be guided by the principles that all interested persons should be kept informed, that the contributions of both parties should be fairly acknowledged, and that both parties should have a fair opportunity to participate.

GENERAL

10.1 No member of the House of Commons of Canada or of the Legislative Assembly of Nova Scotia shall be admitted to any share or part of any contract, agreement, or commission made pursuant to this Agreement, or any benefit to arise therefrom.

10.2 This Agreement may be amended by written agreement of the Ministers.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of Canada by the Minister of Energy, Mines and Resources and on behalf of the Province by the Minister of Development.

GOVERNMENT OF CANADA

per: ______________________

Minister of Energy,
Mines and Resources

GOVERNMENT OF THE PROVINCE
OF NOVA SCOTIA

per: ______________________

Minister of Development

CONFIDENTIAL

DEVELOPMENT FUND COMMITTEE

OPERATING GUIDELINES

1. Purpose of the Development Fund Agreement

Pursuant to the Canada/Nova Scotia Oil and Gas Agreement Act, the Development Fund Agreement was signed on November 21, 1984, between the Government of Canada and the Government of Nova Scotia. It provides for up to $200 million in loans from the federal government, to be expended by Nova Scotia on infrastructure projects related to Venture and other resource activity in the Nova Scotia offshore.

2. Development Fund Committee - Structure & Purpose

Pursuant to Section 5.1 of the Development Fund Agreement, a Development Fund Committee will be made up of two representatives from each of the Federal and Provincial Governments. In an exchange of telexes, the Minister of Development, Nova Scotia, and the Minister of Energy, Mines and Resources, Canada, nominated to the Development Fund Committee, Mr. Harvey Doane and Mr. Frank Sommerville from the Nova Scotia Department of Development; Mr. Robert Russell from the Canada Oil and Gas Lands Administration; as well as Mr. Gordon DeWolf from the Nova Scotia Federal Economic Development Co-ordinator's Office. The purpose of the Development Fund Committee is to monitor and review approved projects initially proposed by the Provincial Government.

3. Development Fund Committee - Responsibilities

General - Pursuant to Section 5.1 of the Agreement, the Committee will be responsible for monitoring and reviewing the implementation of projects approved under this Agreement to ensure that the purpose of this Agreement is followed.

Reporting - The federal members of the Development Fund Committee are responsible to the Minister of Energy, Mines and Resources, Canada, for the proper administration of the Development Fund Agreement; and, in general, it is expected that all requests from the federal members for information about projects underway shall be addressed to the Development Fund Committee.

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Inspections - Pursuant to Section 5.2 of the Agreement, any member of the Development Fund Committee or his representative shall be permitted to inspect any approved project at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the project which may be required by the Federal or the Provincial Minister. In general, it is expected that all requests from the federal members for inspections at projects underway shall be addressed to the Development Fund Committee.

Public Information - The Development Fund Committee will consider its activities to be confidential, unless otherwise agreed, and requests from public for information concerning the status of projects shall be directed to the Nova Scotia members of the Committee.

4. Administrative Procedures

In accordance with the Agreement, the following chronology of events should occur for each project:

A. The Province will prepare an initial Project Definition, providing a basic description of the project, outlining the need for it, estimating costs and schedule, and dealing with the criteria in Section 3.2 of the Agreement. Where feasible, quarterly estimates of costs will be provided with the Project Definition, along with an itemized estimate for the first quarterly advance, and an expected start date for the first expenditures (see attached Project Definition Outline).

B. Generally, Project Definitions will be discussed informally by the Development Fund Committee, as they are being prepared, to assist in expeditious review and appraisal by the federal government after formal submis- sion to the Minister of Energy, Mines and Resources.

C. Following approval of a Project, the Development Fund Committee will be responsible for commencement of payments. On behalf of Canada, the federal members of the Development Fund Committee may authorize quarterly interim payments to Nova Scotia, based on estimates of costs to be incurred by Nova Scotia for the following fiscal quarter, as certified by a senior officer of the Province.

D. The Province shall account for each interim quarterly payment by submitting to the Committee within three months of the quarter following the quarter in which the payment ~~was made, a statement of the actual~~ expenditures incurred and paid, with agreed supporting documentation, which shall be certified by a ~~senior officer of the Province.~~ Any discrepancy between the amounts paid by Canada by way of interim payments and actual expenditures, incurred and paid by the Province shall be promptly adjusted between Canada and the Province.

E. Any significant change in the scope, scheduling and funding of proposals which occurs after approval will be submitted to the Minister for approval. A significant change is defined as an expected total cost to the federal government exceeding 115 percent of the cost estimate approved by the federal Minister, or other changes deemed to be

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significant, in the reasonable opinion of the federal Minister, based on information received pursuant to the Agreement. The Nova Scotia members of the Development Fund Committee shall bring any such changes, or expected changes, to the immediate attention of the Committee. In the case of cost increases, the federal government will not stop payments for an approved project until the federal payments reach 115 percent of the project's approved estimates. If the determination of whether or not a change is significant remains in dispute among Committee members, then the matter will be referred to the Minister of Energy, Mines and Resources, and the Nova Scotia Minister of Development.

F. Under Section 6.3 of the Agreement, on or before August 31st of each fiscal year, the Province shall submit a status report in respect of all projects approved in accordance with the Agreement. This report shall include a forecast of quarterly expenditures for each existing or anticipated project, and in addition, the Province shall submit an update of this status report, with estimates for the following fiscal year, on or before December 31 of each year.

G. Upon the completion of each project, the Province will provide the Development Fund Committee with a Completion of Project Report. This report will provide a brief overview of the implementation of the project, and will note the causes for any additions, deletions and amendments to the project, relative to the specifications provided in the approved Project Definition.

5. Eligible Costs for Funding

The eligible costs of projects to be implemented under the Development Fund consist of all costs actually incurred by the Province pursuant to a contract entered into, with any person or corporation, for the performance of work, the supply of goods or the rendering of services for the implementation of an approved project, but do not include any cost in respect of the services of any regular employee of the Province or its agencies.

These operating guidelines are approved by the co-chairmen of the Canada/Nova Scotia Development Fund Committee.

Federal Co-Chairman

Provincial Co-Chairman

20 [illegible] '85
Date

25 Feb. 85
Date

PROJECT DEFINITION OUTLINE

1. Project Description:

- background;
- objectives; and
- general description (major components, physical design and layout, linkage with off-site facilities, map, diagram)

2. Development Fund Agreement Criteria:

- the way in which the proposed expenditures represent the infrastructural costs related to activities in the offshore area;
- the social and economic rationale for the proposal;
- the extent that projects bear on Canada and Nova Scotia Benefits issues;
- the relationship of the proposed projects with other provincial or federal initiatives; and
- the existing infrastructure

Schedule and Capital Cost Estimate:

- total cost and breakdown by major component as per project description (Item 1, above);
- project schedule and phasing of expenditures (quarterly, corresponding to fiscal year quarters);
- detailed estimate of cash flow requirements for first quarter of project implementation; and
- sources of other funding (if Development Fund is to cover partial costs only).

4. Implementation:

- description of how project will be managed, with identification of the implementating agency for the project.

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Canada-N.S. Development Fund
Committee
Meeting 3
Attachment 2

REQUEST FOR ADVANCE PAYMENT

BY THE PROVINCE OF NOVA SCOTIA

UNDER CANADA/NOVA SCOTIA DEVELOPMENT FUND

DATE ____________________

ADVANCE CLAIM NO. ____________________

PROJECT TITLE ____

PROJECT NO. ____________________ APPROVED COST $ ____________________

ESTIMATED COST TO QUARTER ENDING ____________________ $____________________

ESTIMATED COST PREVIOUS CLAIM NO. __________ $____________________

UNDERESTIMATED (OVER) PER AUDIT __________ ____________________

REVISED ESTIMATED COST CLAIM NO. ____________________

ADVANCE REQUESTED $____________________

It is hereby certified that the above project cash flow forecast accurately represents the best information on this project available to the Province of Nova Scotia at this time.

Certified by : ________________________________ Date: ______________
Authorized Nova Scotia Officer

Approved by: ________________________________ Date: ______________
Authorized Federal Officer

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Canada-N.S. Development Fun:
Committee
Meeting 3
Attachment 3

AUDIT REPORT

BY THE PROVINCE OF NOVA SCOTIA

UNDER CANADA/NOVA SCOTIA DEVELOPMENT FUND

DATE ______________

AUDIT REPORT RE: ADVANCE CLAIM NO(S) ______________________________

PROJECT TITLE ____

PROJECT NO. ____________ APPROVED COSTS $ ______________

AUDITED COST OF WORK COMPLETED TO ________________ $ ______________

ADVANCES RECEIVED TO CLAIM NO. ________________ $ ______________

ADVANCES UNDERCLAIMED (OVERCLAIMED) $ ______________

CERTIFICATE

We certify that the value of the work performed is in accordance with the above noted Agreement and that the amount due represents the work which has not been included in any previous audited claims tendered.

DATE ________________________________

____

Audited Provincial Officer

I, the undersigned Provincial Auditor, concur with the above and further certify that the statement is in accordance with the amounts and records of the Province and is supported by proper vouchers and other documents; that all applicable credits have been taken into account and should any further credits or refunds be received pertaining thereto, I undertake to notify the Department of Energy, Mines & Resources.

[illegible] ________________________________

ROVINCIAL AUDITOR ______________________

PROJECT AUTHORIZATION

CANADA-NOVA SCOTIA DEVELOPMENT FUND

EMR FILE: ____________
N.S. FILE: ____________

PROJECT TITLE: ____

PROJECT LOCATION: ____

PROJECT DESCRIPTION: ____

____

____

PROJECT TOTAL COST: $ ____________

PROJECT PROGRAM
(AS AT LAST APPROVED AMENDMENT)

CAPITAL ACQUISITIONS	$ ____________
- PLANT $ ________	
- EQUIPMENT ________	
MATERIALS	$ ____________
EQUIPMENT RENTALS	$ ____________
LABOUR	$ ____________
TRAVEL AND LIVING COSTS	$ ____________
AGEMENT FEE	$ ____________
	____________

PROJECT FINANCING
(AS AT LAST APPROVED AMENDMENT)

DEVELOPMENT FUND	$ ____________
FEDERAL FUNDING (SOURCE)	$ ____________
PROVINCIAL FUNDING (SOURCE)	$ ____________
OTHER FUNDING (SOURCE)	$ ____________
	____________

PROJECT CASH FLOW:
1ST QUARTER ____________
2ND QUARTER ____________
3RD QUARTER ____________
4TH QUARTER ____________

(SPECIFY FORECAST DATE FOR START OF EXPENDITURES)
____

ESTIMATED PROJECT COMPLETION DATE: ____________

WE CERTIFY THAT THE ABOVE-NAMED PROJECT WAS SUBMITTED BY THE NOVA SCOTIA MINISTER OF DEVELOPMENT TO THE MINISTER OF ENERGY, MINES AND RESOURCES, AND WE FURTHER CERTIFY THAT THE ABOVE PROJECT DESCRIPTION, COST ESTIMATE, AND CASH FLOW FORECAST ACCURATELY REPRESENT THE BEST INFORMATION ON THIS PROJECT AVAILABLE TO THE PROVINCE OF NOVA SCOTIA AT THIS TIME.

____
MEMBER, NOVA SCOTIA
DEVELOPMENT FUND COMMITTEE

____
DATE

____
MEMBER, NOVA SCOTIA
DEVELOPMENT FUND COMMITTEE

____
DATE

ERTIFY THAT THIS PROJECT HAS BEEN APPROVED BY THE MINISTER OF ENERGY, MINES ESOURCES, AND RECOMMEND PAYMENT OF THE FIRST QUARTERLY ADVANCE TO THE NCE OF NOVA SCOTIA.

____
MEMBER, CANADA
DEVELOPMENT FUND COMMITTEE

____
DATE

CANADA/NOVA SCOTIA DEVELOPMENT FUND
QUARTERLY PROVINCIAL PROGRESS REPORT
AND SUBMISSION OF
ACTUAL AND FORECASTED EXPENDITURES*

* ALL FIGURES AND INFORMATION AS AT ______________________, 19______

E.M.R. FILE: ______________________

N. S. FILE: ______________________

CLAIM NO.: ______________________

PROJECT TITLE: ____

PROJECT LOCATION: ____

IMPLEMENTING AGENCY: ____

DEVELOPMENT FUND APPROVAL		$ __________
SPENDING CERTIFIED (INCLUDING ATTACHED CLAIM)	$ __________	
FUNDS RECEIVED NOT CERTIFIED	$ __________	
APPROVED CLAIMS NOT RECEIVED	$ __________	
BALANCE OUTSTANDING NOT CLAIMED		$ __________

EXPENDITURES FORECAST (NARRATIVE UPDATE FROM LAST SUBMISSION DETAILING CAUSES FOR OVER-SPENDING OR UNDERSPENDING)

____

____

____

____

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____

SCHEDULING FORECAST (NARRATIVE UPDATE FROM LAST SUBMISSION DETAILING CAUSES FOR SHORTENING OR LENGTHENING SCHEDULE)

____

____

____

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____

____

(This attachment describes the Federal Government financial procedures pertaining to the Development Fund. They are for the reader's information only.)

NOVA SCOTIA DEVELOPMENT FUND

FINANCIAL PROCEDURES

01. Purpose

To describe financial procedure for making payments to the Province of Nova Scotia pursuant to the Canada/Nova Scotia Oil and Gas Agreement Act and the establishment of the Canada/Nova Scotia Development Fund.

02. Statutory and Departmental Authorities

1. Canada/Nova Scotia Oil and Gas Act, Section 85.
2. Development Fund Agreement, dated November 21, 1984.
3. Order-In-council 1984-3573, November 15, 1984.

03. Payments Procedure

Proposals, as defined in 1.1(1) of the Development Fund Agreement, will be forwarded to the Federal Minister by the Province of Nova Scotia. The Federal Minister shall approve/reject these proposals in writing, within forty-five (45) days of receipt of the proposal, or, where appropriate, may request additional information about the proposals. Where additional information is requested, the Federal Minister shall give a decision within forty-five (45) days of the receipt of all requested information. A copy, duly approved, will be forwarded to COGLA Finance for commitment control purpose.

In order to assist the Province with interim financing of approved proposals, the Federal Government will make quarterly advance payments based on the receipt of estimates of costs to be incurred in the given quarter, certified by the delegated senior officer of the Province and approved by the authorized representative of the Federal Minister.

The Province shall account for each interim quarterly advance by submitting to the Federal Government, within three (3) months, a statement of actual expenditures incurred and paid, and a project progress schedule (copy attached), certified by the senior delegated officer of the Province, and approved by the delegated representative of the Federal Minister.

Any discrepancies between the interim advance and the actual expenditures incurred and paid shall be adjusted on the next quarterly advance from the Federal Government. In COGLA Finance, payments will be controlled and accounted according to approved projects.

As indicated in 3.6 of the Agreement, individual projects expected to be exceeding by 15 percent of the approved estimated must be re-submitted to the Federal Minister for approval.

Delegated signing authorities will be arranged for both Provincial and Federal approvals of the interim payment/estimates and the statement of actual expenditures incurred and paid.

Coding fields within the EMR financial system will be as follows:

xx - two-digit field to identify province payment made to, i.e.; Nova Scotia (02)

xxx - three-digit allotment code to identify Canada/Nova Scotia Development Fund

389 - Policy & Co-ordination R.C. Centre

xxxxxx - six-digit field financial code to identify each proposal (project)

900605 - Canada/Nova Scotia Development Fund project code

xxxx - four-digit number to identify the type of payment, i.e.: salaries, travel, etc.

APPENDIX XII

Nova Scotia Resources Limited

Meeting Summary
November 15, 1989

plus:

XII-a...Material provided following the above meeting.

SUMMARY

Meeting of
Wednesday, November 15, 1989

Location: Legislative Chamber, Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Hon. G. David Nantes
Vincent J. MacLean, M.L.A.
Ross Bragg, M.L.A.
Alexa McDonough, M.L.A.

Substitutes: Marie Dechman, M.L.A.
Hon. Ronald Russell

Dianne Stillman, Committee Secretary

Absent:

Hon. Donald McInnes
Hon. George Archibald

Witnesses:

Mr. Peter Outhit, President and C.E.O.
Mr. Robert MacDiarmid, Treasurer
Mr. John French, Director of Marketing and Development

Committee Business

The Chairman called the meeting to order. He asked the Committee to reserve some time at the end of discussions with NSRL to conduct two other business items.

He then introduced the witnesses and invited Mr. Outhit to make an opening statement.

In his remarks, Mr. Outhit gave a synopsis of the activities of Nova Scotia Resources over the past eighteen months.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. MacLean:	Mr. Outhit/French/MacDiarmid:
-when oil will be brought in from Panuke/Cohasset; why Cohasset first.	-mid 1990; result of engineering evaluation and new development plan.
-when did Iona start working with NSRL; asked for details of arrangements with Iona.	-fall of last year; cannot answer questions related to Iona due to sensitive business negotiations.
-why was Iona squeezed out; do Lasmo PLC have offshore experience; where.	-no comment; yes in 16 countries incl. North Sea, Indonesia, Guyana, Gabon, Pakistan and Australia.
Mr. Bragg:	
-no. of employees in NSRL; who are they; on what basis.	-six - corporate accountant, secretary and receptionist plus six professionals on contract; engineers, geologists and physicists based in Calgary.
-re board of directors: do they get paid; expenses; how often to they meet.	-yes, small honorarium - $2500 per year plus $150 per meeting; 5-6 times per year.
-$17.5 million left of $25 million offshore fund.	-yes.
-Mr. Outhit's salary; other incentives; send list of travel; profession prior to NSRL.	-$108,000/year; 1988 Olds. Cutlass Cruiser; agreed; executive with Elf Aquitaine-a French oil company- as consultant on international negotiations; by profession, a lawyer.
-does NSRL own or administer Novaco?	-returned shares to government 3 years ago.
-agreement between NSRL and Trans Canada Pipeline; does Sable Gas have board of directors; membership.	-in the early 1980's; yes; will forward later.
-value of N.S.R.L.	-difficult to say, would be hypothetical.

Questions/Comments by Members:	**Replies:**
Mr. MacLean:	Mr. Outhit/French/MacDiarmid:
-total debt of NSRL; how much owed to Province; how much invested outside Nova Scotia.	-$128.1 million; Euro-Commercial paper program, guaranteed by the province to $150 million (U.S.); $28 million.
Mr. Bragg:	
-could NSRL borrow without provincial guarantee; would the bank finance NSRL to $140 million without provincial guarantee.	-yes; hypothetical.
THIRD PARTY-	
Mrs. McDonough:	
-elaborate on new period of exploration & development; new regime would make net cost less than under PIP; how can you quote an accord that has not yet been proclaimed.	-new drilling out of company's own pockets - some tax incentives but no substantial grants; not less but pays 50% of drilling costs under 1986 accord; it will be soon.
-artificial stimulus behind Panuke/Cohasset development.	-don't think so.
-involvement of NSRL in coal liquification.	-supported various projects over last four years - now only monitoring lab work.
GOVERNMENT-	
Hon. Mr. Russell:	
-re coal water fuel: currently a pilot project in Hantsport; emissions less than coal; what is NSRL's involvement; if proven viable will NSRL share income.	-yes, coal-oil water; yes; supportive; looking at possibility of making investment.
-re Cohasset/Panuke: threshold of price per barrel of oil in 1992.	-would have to drop considerably to not be viable.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Nantes:	Mr. Outhit/French/MacDiarmid:
-re Cohasset/Panuke: steps to bring oil ashore; 12 month production; low cost production scenario.	-jack-up rig - highest safety standards in Canadian waters; seasonal production 6-7 mos. - rig is also doing exploration; yes - on incremental basis.
-economics based on Panuke & Cohasset - could find more pockets; different from Mobil's original concept; is Mobil back in; is potential for Mobil to get oil fairly strong; why Mobil is back in now.	-yes; Mobil looking for gas, not oil; Mobil is back with Shell and PetroCanada; would not make that connection; other reserves are waning.
Mrs. Dechman:	
-any agreement with Iona on share basis of leases.	-no.
SECOND ROUND OFFICIAL OPPOSITION-	
Mr. MacLean:	
-where will oil be refined; last year went to Quebec; could it have been done in Nova Scotia; how much.	-still to be determined; yes; it was PetroCanada's decision; 23,400 barrels @ $28/barrel - our share 65%, not subject to tax.
-where will equipment be built.	-maximum benefits to N.S. is our goal.
-has deal been signed with Lasmo PLC yet; when.	-soon; imminent; details will be announced.
-how much of Panuke does province have; who owns rest.	-38.75%; Iona.
-how much does Lasmo PLC have a stake in; are you and Lasmo trying to squeeze out Iona.	-will be announced; cannot comment.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. Outhit/French/MacDiarmid:
-financial statements for March 31/89.	-Annual Report will be out in three weeks.
-western investment: who did you buy property from; how much; life span; any others.	-Rhodie Petroleums; $7.5 million; 20 years; 1985-produced carve out with Pembina and Western Decalta - $10.8 million.
THIRD PARTY-	
Mrs. McDonough:	
-how can NSRL be sure federal government funding will come through when accord has not been proclaimed.	-expect it will be shortly.
GOVERNMENT -	
Hon. Mr. Moody:	
-any other reasons beside price that could prevent oil from coming ashore in 1992.	-price is the one variable.
-expectations for next 4-5 years in oil industry.	-price around $20 barrel (U.S.) with a moderate increase over the 90's up to $26-27 (U.S.) per barrel.
Hon. Mr. Russell:	
-leverage in development of gas fields.	-depending on fields, holdings are from 2.5% - 10%.
-how will deregulation affect the New England market.	-our gas will be competitive.
-any indication that pipeline to Venture will be put in.	-positive signs.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Russell:	Mr. Outhit/French/MacDiarmid:
-3.5 trillion cu. ft. threshold for viability.	-3.5 trillion cu. ft. - established reserve levels in Venture already.
-New Brunswick market is larger than ours - are western or U.S. producers moving into N.B. market.	-industrial market could be; no indication.
OFFICIAL OPPOSITION	
Chairman:	
-100% control of Cohasset - from whom, cost and how was it financed.	-from Mobil, PetroCanada & Canterra; cannot make price paid public; basically under Euro Commercial paper program.
-liability for oil spills- what kind of provisions to protect environment.	-will be addressed publicly when plan is filed.

Other Business:

Discussion on material received from Mrs. Eileen Stubbs.

Meeting adjourned 11:26 a.m.

President and
Chief Executive Officer

APPENDIX XII-a

JAN 9 1990

January 3, 1990

1718 Argyle Street
Suite 600
PO Box 2111
Station M
Halifax, Nova Scotia
Canada, B3J 3B7

Tel 902 420 8800
Telex 019 22586
Telecopier 902 425 2195

Ross Bragg, MLA
Collingwood
CUMBERLAND COUNTY
Nova Scotia
B0M 1E0

Dear Mr. Bragg:

Although you should also receive it separately, I enclose our 1989 Annual Report, which was issued in the last week of December and includes very recent Cohasset/Panuke project information.

The following responds as promised to your three questions at the Public Accounts Committee meeting on November 15.

1. The current Board members of Sable Gas Systems Limited are:

   D. E. Henwood (Chairman)
   R. J. Ritcey
   C. K. Orr
   P. A. Outhit
   J. D. French

   Messrs. Henwood, Ritcey and Orr are senior executives of TransCanada Pipelines Limited.

2. The private sector parties in NSRL's 1987 transaction with Westburne Petroleum and Minerals Ltd. were Enerplus Inc., a major Canadian pension fund that invests in quality petroleum assets, and Western Decalta Inc., a petroleum company that was a party to NSRL's 1985 production carve-out transaction.

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3. My business-related travel during calendar 1989 totalled 6 trips. Three were to Calgary, Alberta, for partner meetings and NSRL asset management; two were to London, England for meetings with LASMO plc, our partner/operator in the N.S. offshore, and one was to Leningrad, USSR, where I Chaired a Seminar dealing with comparative approaches to energy investment and oil development in the East and West. I combined this with a meeting in Helsinki with Neste Oy, the national Finnish petroleum company, which is seeking to explore for or acquire light oil from sources including the Scotian Shelf.

Yours very truly,

Peter A. Outhit

/mac

APPENDIX XIII

Office of the Auditor General

Meeting Summary
January 10, 1990

plus:

XIII-a...Material provided following the above meeting.

SUMMARY

Meeting of
Wednesday, November 15, 1989

Location: Legislative Chamber, Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Hon. G. David Nantes
Hon. George Archibald
Hon. Donald McInnes
Alexa McDonough, M.L.A.

Substitutes: Guy Brown, M.L.A.
Gerry O'Malley, M.L.A.

Dianne Stillman, Committee Secretary

Absent:

Vincent J. MacLean, M.L.A.
Ross Bragg, M.L.A.

Witnesses:

Mr. O. Paul Cormier, Auditor General
Mr. Roy Gunn, Deputy Auditor General
Mr. James Butler, Assistant Auditor General

Committee Business

The Chairman called the meeting to order, introduced the witnesses and thanked Mr. Cormier and his staff, on behalf of the Committee for taking the time to prepare a report on Portland Estates Limited.

Mr. Cormier declined the offer to make an opening statement and deferred to the questioning of the Committee.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. O'Malley:	Mr. Cormier:
-Sept.'84 - how much in excess of $3.5 million was outstanding.	-less than $100,000.
-explain reasoning behind provinces willingness to pay $17.5 million to protect $8.5 million investment.	-actually, only $3.1 million of $8.5 million was recoverable, so estimated value of $12 million minus $3.1 million left a figure of $9 million which was province's limit.
-what assurance have you that the $8.7 million actually went into the infrastructure; which were not provided.; was Portland Estates ordered by government to comply.	-no provision under Auditor General Act to audit such transactions, but there was an agreement that Portland Estates Limited would provide audited financial statements; correct; many requests were made.
-financial transactions to the benefit of Portland Estates went on despite refusal to provided audited statements.	
-$8.5 million with compounded interest would be $11 million.	-theoretical concept.
-who now owns Portland Estates? if First City sold property and it became property of previous owner, would province be able to reclaim lost investments.	-First City Trust; need legal advice.
THIRD PARTY-	
Mrs. McDonough:	
-re Concluding Remarks/Report P. 13-14: what advice was given to the then Liberal government re expropriation.	-no correspondence supporting the expropriation.

Questions/Comments by Members:	**Replies:**
Mrs. McDonough:	Mr. Cormier:
-any CMHC documentation re 1980 agreement to turn land back to A. Stockall; from Auditor General's perspective, should government have asked for individual advice on this decision.	-only appraisals; can only get answer by directing query to people themselves.
-what public officials should be interviewed by PAC; what further processes should be investigated that you were unable to access.	-(no direct answer); did best they could with information available to them.
GOVERNMENT-	
Hon. Mr. Nantes:	
-government approached A. Stockall in 1974-75; Forest Hills expropriated around 1971; given rate of development, was government apt to use Portland before 1992 or 1993.	-correct; yes; figures not readily available.
-when landbanking, cost of borrowed money becomes part of price of lots that you sell.	-agree
-any studies regarding landbanking in 1974-75; any done for Portland; have you asked former Deputy Minister, Rae Austin.	-explained Housing Commission policies; didn't see any for Portland Estates Ltd. -- they were done for Sackville and Forest Hills; no, with his successor Mr. Mounce.
-never been a review of why expropriation took place.	-decisions made at Cabinet level -- not our role to investigate.
-information, including staff recommendations, indicate Cabinet was told not to expropriate.	-there were none advising to proceed.

Questions/Comments by Members:	**Replies:**
Hon. Mr. Nantes:	Mr. Cormier:
-DND Shearwater runways close to land; main flight paths directly over it; CMHC criteria would disqualify.	-just behind it; yes; I think so.
-did CMHC advise against using this land.	-declined to support because criteria could not be met.
-CMHC played major roll in financing landbanking in 1970's - correct; did Forest Hills and Sackville have CMHC financing; without CMHC lot prices would go up.	-yes, most if not all; to the best of my knowledge; yes; very much so.
-if provincial government had not provided funding, A.Stockall would have had to return land to previous owners because he didn't have full title.	-I believe so.
-re valuation of land: any info about value government paid for Forest Hills land in 1970's compared to what they were prepared to pay for Portland;	-did not make an effort to compare.
-any evidence of a landflip?	-cannot answer - not an expert.
-expropriated lots were bound to be more expensive.	-yes
-would you agree that the present government did their best in 1978 to deal with the situation.	-original decision and financing were both somewhat unusual.

Questions/Comments by Members:	**Replies:**
SECOND ROUND- OFFICIAL OPPOSITION	
Mr. Brown:	Mr. Cormier:
-is it true that all expropriations are routinely approved by Cabinet in Nova Scotia and other provinces; and, many times do not have total support of staff.	-correct - not unique; do not check all.
-is it true that CMHC offered $705,000 for development of 138 acres of the 500 acres; what was cost-sharing percentage; what was CMHC share.	-correct; not sure; approximately 80%.
-is it true that there was a change in CMHC regulations which allowed more than the 138 acres to qualify - when and how many acres in addition; why didn't DND (Shearwater) protest changes in CMHC regulations; you were able to answer D. Nantes questions.	-will provide information; do not have right to query federal officials.
-where did you get information on original deals and mortgage that Portland had in 1973-74; do you have originals in your office now.	-Housing Commission documents; no, just a summary.
-small business people must be accountable yet Portland who have received millions have produced no audit.	-yes.
Mr. O'Malley:	
-why were government monies pumped into this project.	-an effort to recoup some/all of outstanding debt.
THIRD PARTY-	
Mrs. McDonough:	
-satisfied that pertinent documentation was unavailable; possibly removed?	-not easy to answer; did not appear so.

Questions/Comments by Members:	**Replies:**
Mrs. McDonough:	Mr. Cormier:
-no official documents...departmental advice.	-(no direct answer)
GOVERNMENT -	
(No Further Questions)	
THIRD ROUND - OFFICIAL OPPOSITION	
Chairman:	
-should present government have left the matter before the courts and the Expropriation Compensation Board to decide.	-in hindsight, probably.
THIRD PARTY -	
Mrs. McDonough:	
-did government act properly in protecting public interest.	-should have been firmer, but don't know if it would have helped.
-what about provincial decision to forfeit position as first mortgage holder; was it responsibility of N.S. taxpayer to provide Portland with more money.	-prefer you direct that to them; no; policy issue that has to be addressed.

Other Business:

Discussion on appearance of Mr. Allen Stockall of Portland Estates Ltd. at the meeting of January 17, 1990.

Meeting adjourned: 11:35 a.m.

APPENDIX XIII-a

REPORT TO
PUBLIC ACCOUNTS COMMITTEE
ON PORTLAND ESTATES LIMITED

JANUARY 1990

Portland Estates Limited

Introduction

The Public Accounts Committee requested at its December 13, 1989 meeting that the Office of the Auditor General provide a report on Portland Estates Limited, detailing financial involvement of the Province with the Corporation from the 1970's to the present. The Committee recognized that the Office has had comments in earlier Annual Reports (1980 and 1985) concerning this Corporation. The Committee meeting to discuss the report with the Auditor General is set for January 10, 1990.

In situations of this nature, it must be understood that we are limited in the extent to which we are able to obtain complete information. We can examine the documents and records of only the Province and its agencies, and interview officials of these same agencies.

During our examinations in 1980 and 1985, as well as annual updates since 1985, we conducted interviews, plus acquired and examined copies of the pertinent correspondence and basic legal documents. Our concentration has been on what transpired in the form of financial transactions, and to report on amounts owing at dates reasonably close to our meetings before the Public Accounts

Committee. We followed the same approach this time, limiting our contacts to officials in the Department of the Attorney General, and in the Business Capital Corporation, plus examination of relevant documents.

In view of our limitation in scope, we are unable to judge the appropriateness of decisions made, but we will endeavour to present the facts as we understand them. The following chronological listing of circumstances and events present material included in our 1980 and 1985 Reports, plus circumstances and events subsequent to 1985 leading up to the November 1989 sale of property by auction.

Chronological Listing of Events

Events Prior to 1980

- In the late 1960's, a preliminary review of the area for housing purposes was conducted by the Nova Scotia Housing Commission, but the idea was rejected.

- In 1973, the assembly of 550.5 acres at a cost of approximately $1.7 million was completed by Mr. Allen T. Stockall.

- After being approached by Portland Estates Limited, the Ministers responsible for the Housing Commission, conveyed by letter in early and again in mid 1974 that the Province had an interest in acquiring the land.

- In September 1974, Central Mortgage and Housing Corporation (CMHC) informed the Housing Commission that most of the land lies within an airport noise restriction area and that they could not approve the lands, at that time, for financing under the National Housing Act.

- In October and November 1974, various studies and memoranda prepared by staff of the Housing Commission recommended against acquisition of the land at any price, because it would not qualify for CMHC financing due to noise pollution, sewage disposal restrictions, zoning considerations and other factors.

- In November 1974, the Executive Director of the Housing Commission outlined in a memorandum to the Minister the reasons why the land should not be purchased, attaching copies of the various studies and memoranda prepared by staff, as described above.

- In January 1975, the Minister of Housing recommended to Cabinet the purchase of Portland Estates for land bank purposes.

- In January 1975, Portland Estates Limited offered to sell the land to the Province for $12,500 per acre or a total of $6.8 million.

- In March 1975, the Chief Appraiser of the Housing Commission, in a memorandum to the Director of Field Services, reported that "the land, though attractive, holds no real value because of restrictions imposed by noise pollution and CMHC's regulations."

- In October 1975, the Housing Commission received an independent appraisal of $2.1 million on the land from Pat King Limited.

- In October 1975, the Executive Director of the Housing Commission, upon the Minister's request, attempted to negotiate purchase at a price near the above appraisal, but was unsuccessful.

- Order in Council 75-1312, dated November 25, 1975 authorized expropriation of the land.

- In June 1976, the Housing Commission received a second independent appraisal of $2.4 million on the land from Speed and Speed.

- In August 1976, the Housing Commission applied to CMHC for a loan of $2.5 million to purchase the 550 acres.

- In September 1977, after lengthy negotiations CMHC replied that they could only lend $705,000 to cover 138 acres. 412 acres did not qualify for financing under their regulations because of proximity to Shearwater Airport.

Events 1980 to 1983

- Total expenditures by the Housing Commission to August 31, 1980 for settlements, advances against the expropriation price, interest and legal costs amounted to $3.5 million.

- During the intervening period between the November 1975 decision to expropriate and June of 1980, the Province, through the Housing Commission and its lawyers, continued to prepare for expropriation hearings before the Expropriation Appeal Board. They were ready on several occasions, but according to our information Portland Estates Limited was not.

o

- Expropriation hearings did not take place because in October 1980 an agreement was reached between the Province and Portland Estates Limited which contained the following terms.

- The land was returned to Portland Estates Limited, except for 10 acres used to widen Portland Street.

- In addition, the Province paid Portland Estates Limited a settlement of $500,000 and $50,000 for legal costs.

- A $2.6 million first mortgage loan at 14% was made by the Province to Portland Estates Limited.

- No payments on principal and interest were required during the first three years, although interest would accrue.

- Payments were to commence in October 1983 on the $3.9 million outstanding, comprising the $2.6 million loan and $1.3 million accrued interest to that date.

Events 1984 to 1989

- Payments of $651,000 were received on principal and interest between September 1983 and September 1984.

- At September 1984 an amount in excess of $3.5 million was outstanding.

- An amending agreement in September 1984 permitted Portland Estates Limited to borrow additional funds by first mortgage from the Canadian Commercial Bank. In addition, the following major provisions were included.

- The Province relinquished to the Canadian Commercial Bank all claim to Phase 1 of the development, and accepted a second mortgage in place of its first mortgage claim for the remaining part of the property.

- The $1.3 million accrued interest from 1980 to 1983 was forgiven. A payment of $550,000 on principal was made to the Province by Portland Estates Limited in consideration for the Province relinquishing all claim on Phase I. These two factors reduced the outstanding loan of $3.5 million to $1.7 million.

- The Province was to receive payments towards retiring the remaining $1.7 million principal in amounts of $3,000 from the proceeds of each lot sold from Phase II of the property. Interest, again at 14%, was to accrue on the principal balance outstanding from September 1984.

- This payment arrangement, based on sale of lots, was to continue to September 1987 at which time minimum monthly installments of principal and interest were to commence, sufficient to retire the debt by 1992.

- The Province was assigned benefit along with the Bank, of an insurance policy in the amount of $1 million on the life of Mr. Stockall - evidence of payment of premiums to be furnished to the Province.

- The failure of the Canadian Commercial Bank (CCB) in 1985 required Portland Estates Limited to acquire new financing arrangements.

- The CCB loan portfolio was administered under receivership for a number of months. An agreement in May 1987 permitted the Company to borrow, under first mortgage arrangement, up to $29 million from First City Trust Company. Again by agreement, the Province accepted second mortgage status.

- Correspondence we examined indicated the reasoning by the Province for making the above agreement was to limit further cash input by Government, and to permit development financing from the private sector.

- The 1987 agreement also included a provision which required Portland Estates Limited to commence in September 1987, monthly installments of principal and interest, sufficient to retire the debt by 1992.

- At September 1987 only $72,000 had been paid, and this was as a result of the sale of 24 lots at $3,000 per lot in order to obtain clearance of title. There remained $2.5 million principal and interest outstanding.

- An examination of the period from September 1987 to November 1989 revealed no monthly installment payments on principal and interest.

- At the time of the foreclosure auction in November 1989, we have been informed that the Corporation was indebted to First City Trust Company in the amount of $19.3 million, principal and interest.

- Additional interest charges, less payments through sale of lots, resulted in $3.1 million remaining outstanding at the time of the November 28, 1989 foreclosure auction.

- Pending foreclosure action, in their efforts to assess the value of the land at Portland Estates, several appraisals were obtained.

  - In July 1988, an independent appraisal was conducted by UMA Engineering Ltd. for the Nova Scotia Business Capital Corporation, which valued the land at $11.5 million to $13.4 million.

  - In July 1989, UMA Engineering Limited updated their July 1988 report to give consideration to the impact of the Shearwater Air Force Base on the value of the property. This update valued the land at $7.7 million to $10.7 million.

  - In September 1989 an independent appraisal was conducted by DeWolf Real Estate Services Limited for the Department of Attorney General, which valued the land at $11.5 million to $13.1 million.

- On November 28, 1989, at foreclosure sale, the property was acquired by First City Trust Company for $10 million, leaving them with a deficiency of $9.3 million and the Province a deficiency of $3.1 million.

- At the foreclosure sale, the Province limited its bidding to $9 million, which was the average market value of $12.1 million, less the balance outstanding on the loan to the Province at the time of the sale.

- The Province lost its second mortgage claim when the property was sold by auction to First City Trust Company.

- Officials of the Department of Attorney General expect that First City Trust Company will seek a deficiency judgement for the $9.3 million deficiency of the loan outstanding of $19.3 million. The Province's only future action would be a subsequent deficiency judgement application against any additional assets that may be discovered belonging to Portland Estates Limited. The Department is not aware of any additional assets which might be available to satisfy the Province's deficiency.

Summary Financial Data

The total projected loss to the Province is $8.5 million. This comprises the $3.5 million cost of expropriation of land and related interest, legal, survey and appraisal costs at the time of the October 1980 agreement; settlement costs with Portland Estates at that time of $.6 million; the write-off of $1.3 million in mortgage interest in October 1983; and the $3.1 million balance of mortgage principal and accrued interest, at the time of the foreclosure auction.

In order to summarize the relevant financial data relating to Portland Estates, the following tabulation is presented. (Note, the Province ceased accruing interest on the loan as of October 20, 1989, so the attached schedule reflects projected loss to that date.)

Continuity of Balances Outstanding

Outlays by Province	**Millions**
To October 1980	
Expropriation of land	$2.1
Interest, legal, survey and appraisal costs	1.4
1980 settlement agreement including legal costs ($550,000)	.6
	4.1
First mortgage loan from Province	2.6
Total Cash Outlays	6.7
Less: Payments not recovered	4.1
Balance at October 1980	2.6
To October 1984	
Accrual of interest from October 1980 to October 1984	1.6
Principal and interest repayments	(1.2)
Forgiven interest per 1984 agreement	(1.3)
Balance at October 1984	1.7
To October 20, 1989	
Accrual of interest from October 1984 to October 20, 1989	1.6
Principal and interest repayments	(.2)
Balance at October 20, 1989	$3.1

Projected loss on Portland Estates Limited	
Balance outstanding at October 20, 1989	$3.1
Payments to October 1980, not recovered	4.1
Forgiven interest 1984 agreement	1.3
Total loss incurred	$8.5

Concluding Remarks

As mentioned in the Introduction, in responding to a request of this nature, it must be understood that there are limitations to the scope of the examination that our office can undertake. We can examine the documents and records only of the Province and its agencies. When transactions involve accounts and documents outside the direct control of the Province, we do not have access to them.

I am therefore not able to express an opinion on the appropriateness of the several decisions made by different Governments in the period of about 16 years over which these transactions spanned.

However, there are three comments which reflect observations made in the March 31, 1980 Annual Report of this Office, which are repeated here. A fourth comment is added.

1. The decision to proceed with expropriation in the mid 1970's was made against the strong recommendation of the Housing Commission on the basis of well documented studies, all of which indicated the inappropriateness of the land for housing purposes by the government.

2. The Province spent $8.5 million in land costs, legal costs, interest and final settlement costs, and all that has been received for this expenditure is 10 acres to widen Portland Street.

3. The various repayment arrangements for the mortgage loan appear to be unusual for this type of venture.

4. The Province lost its second mortgage status when the property was acquired by First City Trust Company on November 28, 1989. It is very doubtful that the Province will receive anything further on this account.

******

Nova Scotia

Auditor General

PO Box 793
Halifax, Nova Scotia
B3J 2V2

January 15, 1990

Dr. J. William Gillis, MLA
Chairman
Public Accounts Committee
Province of Nova Scotia
Halifax, N.S.

Dear Dr. Gillis:

At the January 10, 1990 meeting of the Committee, Mr. G.A. C. Brown, MLA, requested written response to three specific questions concerning our comments at paragraph two on page 5 of our Report to you of January 5, 1990. In that paragraph we mention that Central Mortgage and Housing (CMHC) was willing to "lend $705,000 to cover 138 acres".

The three questions were:

1. What percentage of the total cost of the 138 acres is represented by the $705,000?
2. What changes in regulations permitted CMHC to take part in the venture?
3. Why were there no objections by the Department of National Defence (DND) concerning the changes in regulations?

Our report was prepared partially from a chronological table of events prepared at the time of our 1980 review of Portland Estates' transactions. The information concerning the $705,000 came from a letter directed by CMHC to the Nova Scotia Housing Commission (NSHC) on September 27, 1977.

We contacted the Department of Housing to discuss the three questions and the following information was obtained.

1. The $705,000 would represent 75% of the total cost, the NSHC being required to put up the other 25%. A loan of this nature would have been made under the National Housing Act. It was quite common for CMHC to loan money for acquisition of land, including land banking, to spur development.

2. There were no changes in regulations. CMHC, on further study, refined their calculations on what was inside and outside the restricted area and determined that 138 acres could be supported. This did not necessarily mean that there would not be some restrictions because of the proximity of Shearwater Airport. Height and sound-proofing restrictions could still apply, yet NSHC could receive loan support from CMHC.

3. We were advised there would be no particular reason for DND to object, since the regulations were not being changed and CMHC would be ensuring that any building restrictions were complied with.

I trust this is the information requested by Mr. Brown. Should there be additional information or clarification required, I shall be only too pleased to oblige.

Yours very truly,

per O.P. Cormier
Auditor General

RSG/pt

APPENDIX XIV

Portland Estates Limited

Meeting Summary
January 17, 1990

plus:

XIV-a...Material provided following the above meeting.

SUMMARY

Meeting of
Wednesday, January 17, 1990

Location: Legislative Chamber, Province House

Attendance:

Dr. William Gillis, M.L.A., Chairman
Hon. Ronald Giffin, Q.C.
Hon. George Moody
Hon. G. David Nantes
Hon. George Archibald
Ross Bragg, M.L.A.
Alexa McDonough, M.L.A.

Substitutes: Hon. Ronald Russell
Gerry O'Malley, M.L.A.

Dianne Stillman, Committee Secretary

Absent:

Vincent J. MacLean, M.L.A.
Hon. Donald McInnes

Witnesses:

Mr. Allen Stockall, President, Portland Estates Limited

Committee Business

The Meeting was delayed by several minutes, due to the late arrival of Mr. Stockall and the delay in waiting for his presentation materials to arrive.

The Chairman called the meeting to order and invited Mr. Stockall to make the customary ten minute opening statement. Mr. Stockall read from the introductory pages of an extensive presentation document and expressed his concern that he was not able to have more then the customary ten minutes.

Questions/Comments by Members:	**Replies:**
FIRST ROUND- OFFICIAL OPPOSITION	
Mr. O'Malley:	Mr. Stockall:
-re agreement of July 2/82: did Portland ever present audited statements to either Canadian Commercial Bank or to the Province and if so, to which Minister; why didn't government demand audited statements; did government ask your lawyer for them?	-made personal allegations against the Member before agreeing to answer; Canadian Commercial Bank have audited statements - received legal advice not to give to government because they would fall into the hands of his competitors; ask the government; don't know what action government could or would take with lawyers.
-commented that witness' allegations were unfounded and he would direct his questions through the Chair.	
-Auditor General told Committee life insurance stipulation was not met.	-Auditor General is lying. Policy is made out to 'you guys'.
-does First City Trust currently own total assets of Portland Estates?	-yes.
Mr. Bragg:	
-when government decided to return land in 1980, who did you negotiate with; did you meet with the Premier; why did you write him a letter in 1980 thanking him and discussing settlement?	-Merlin Nunn did all the negotiations; no; Merlin Nunn suggested I write and thank him for giving land back.
-who negotiated loan to take second charge to First City; who did they deal with?	-lawyers did; Attorney General's Department; lawyer to lawyer, no politicians.
-how much did presentation cost today?	-with respect, none of your business.
-why did Portland keep delaying expropriation hearings; but you were in charge?	-ask Merlin Nunn or Harold Jackson; I did whatever lawyers told me to do.

Questions/Comments by Members:	**Replies:**
Mr. Bragg:	Mr. Stockall:
-did you ever have discussions with Rollie Thornhill at time of expropriation?	-absolutely (then accused the Chairman of deliberately refusing to sign the Master Plan of the City of Dartmouth when he was Minister of Municipal Affairs).
[Interjection by Chairman: I was Minister of Municipal Affairs briefly and prior to the adoption of the City of Dartmouth Master Plan by the Dartmouth City Council. It is wrong to say I refused to sign it.]	
THIRD PARTY-	
Mrs. McDonough:	
-it would have been helpful to have material in advance, as requested; I have copy of letter.	-wasn't requested. (then accused the Member of using her position to conspire with her family, his competitors, against him.)
-commented that she had never purchased any land other than house she lives in; commented that only information she has on Portland is what she received in Legislature.	
-why is Mr. Nauss not here today?	-personal reasons.
-what do you feel is the responsibility of the Province at this point?	-(no direct answer)
-would you be surprised to learn that pertinent documentation was not available to either the Auditor General or this Committee?	-don't know about it. Merlin Nunn would know.

Questions/Comments by Members:	Replies:
GOVERNMENT-	
Hon. Mr. Moody:	Mr. Stockall:
-invited Mr. Stockall to use this time to complete his presentation.	-witness then read several pages of his presentation, using several large charts and aerial shots of lands in question.
-when government expropriated your lands, why didn't they do same to Clayton Developments?	-(no direct answer)
-Mr. Hollingsworth, now working for Mr. MacLean, wrote series of articles supporting your view, correct?	-yes.

Meeting adjourned: 11:31 a.m.

APPENDIX XIV-a

WILDE
NAUSS
SIMPSON
CHARTERED
ACCOUNTANTS

January 16, 1990

Received
JAN 22 1990
AS

Mr. Allen Stockall
76 Swanton Drive
Dartmouth, Nova Scotia
B2W 2C8

Dear Allen:

The unfortunate situation with the Province of Nova Scotia regarding their mortgage on the lands of Portland Estates is the result of the agreement with First City Trust, signed in May, 1987. Their renegotiated loan created a situation where Portland was to receive only 3% of lot sales to meet commitments to other creditors. At the same time you were required to service the loan with the Province by making payments of $57,000 per month.

With lot prices as agreed to in the loan document with First City you would have had to have sold 63 lots per month or 750 per year to meet this payment. This is virtually impossible for one company in this market place.

On August 12, 1987 First City stopped funding Portland Estates. This meant that cash flow had ceased while Phase II was being serviced and readied for sale. This, too, created a situation where you could not meet your commitment to the Province.

In September, 1987, in order to create cash flow from increased lot sales in what was a softening market, permission was requested from First City to reduce lot prices marginally. This request was denied. You were, therefore, in a position where you could not raise funds by either selling your land or borrowing on a previously negotiated $30,000,000 line of credit. You could not have met your commitment to the Province under these circumstances.

This meant that in a period of less than 4 months you went from a contracted financing arrangement to a position where you could not sell your assets to repay your loans. At this point everyone associated with Portland knew that they were involved in a takeover.

Yours truly,

WILDE NAUSS SIMSPON

Charles S. Nauss

Charles S. Nauss, C.A.

P.O. Box 357
32 Glendale Avenue
Lower Sackville
Nova Scotia
B4C 2T2

(902)865-2800
FAX (902)865-4170

WILDE
NAUSS
SIMPSON
CHARTERED
ACCOUNTANTS

January 16, 1990

Memo To: Nova Scotia House of Assembly
Committee on Public Accounts

Memo From: Charles S. Nauss

Some explanation is required concerning Mr. Cormier's comments about the Province's financial involvement in Portland Estates. Although the amount of $8.5 million is substantially correct,its composition deserves comment.

According to Mr. Cormier's calculations, $3.1 million of the amount represents the balance outstanding prior to foreclosure, $1.3 million represents interest forgiven and the balance of $4.1 million is the direct result of the previous government's expropriation including $550,000 paid to Portland for damages and costs caused as a result of those actions.

At the time of the start of expropriation in 1974, Portland owed $4,000,000, when the expropriation process began. During this time Portland had to pay interest on its loans to the Bank of Nova Scotia plus $30,000 per month mortgage payments for the 15 months it actually took to complete the expropriation on November 27, 1975 and could not use its lands.

Portland had to pay interest on the interest for another 11 months to October 28, 1976 when the $.79 was paid to Portland; a total of 27 months. Portland then had to pay interest on these monies for an additional 4 years to October 10, 1980.

This interest item alone for the first 27 months of expropriation exceeded $1,200,000. There were three lawyers working for Portland on the expropriation; one lawyer's account was $188,000. Comnine the interest and one laywer's account and the total is
$1,488,000, and the Province allowed $550,000 in damages caused by the government's action.

When the Province returned the land in 1980, they saw fit to lend Portland $2,600,000. This money was used to pay costs associated with fighting the expropriation. Of the amount

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borrowed, $2,135,000 was paid directly to the Bank of Nova Scotia. (check attached)

None of the $4.1 million that the Province spent can be said to be the result of actions taken by Portland Estates which in any way adversely affected the Province.

These costs are the result of actions taken by government officials and it is unfair to blame Portland for the fact that they were ever made. The Province decided to incur these costs when they expropriated Portland.

Comments were also made concerning what the Province has received for its investment of $8.5 million.

The ten acres of land used for road widening purposes at $6 per square foot, which the Province suggested, is worth $2,613,600.

The storm drain which was needed because the Province diverted the natural flow of water onto the lands of Portland Estates cost $1,248,000. This was done to save the Province the money required to take this water a longer distance to the natural waterway.

The Dartmouth South Trunk Sewer system which services many land owners besides Portland was installed at a cost of $6,000,000. Portland paid $4,144,000 of this amount for companies like Irving Oil, Imperial Oil, the Province of Nova Scotia, the Federal Governmentand many other owners. In fact this South Dartmouth Trunk Sewer System will service more than 30,000 people, which is equal in size to the Colby Village area sewer. The City applied to the Province for cost sharing of their south South Dartmouth Trunk Sewer System and the Province cost shared in the amount of $1,856,000. The City under its by law then reimbursed Portland the $1,856,000 which left Portland with a contribtuion of $4,144,000. The trunk sewer that services the Shaw family's Colby Village area directly across the STreet from Portland Estates has cost $22,000,000 plus iinterest. The Province did not require the Shaws to contribute anything to this trunk sewer system. The four-lane undivided road built in 1974 from the circumferential highway to Colby Village was paid for by the Province and the Federal Government. The start of the four-lane undivided road in Portland Estates that will be as long as the Colby Village area four-lane road was paid for by Portland at a cost of $941,000, without cost sharing from the Province or road acquisition which is for exactly the same purpose as the Colby Village area.

In addition to these is approximately $1,900,000 in payments made on the loan since its inception. In total, there is almost $11,000,000 in cash and benefits returned to the Province. In addition, during expropriation and the subsequent start up time, cost Portland Estates more than seven years of development.

The Economic and Employment Impact Study prepared by Acres International and updated by Doane Raymond, Chartered Accountants outlines the jobs created, the wages paid and the benefits provided by development in Portland Estated during a five year period.

I have extrapolated that information to show the jobs, revenues and benefits lost to the Province and the City during the seven year period. By comparison, the direct and indirect Province of Nova Scotia GPP would have been $177,870,000.

The jobs lost were 6,600. That is what the Province lost by Portland Estates not being developed by Portland. During the same period, the City of Dartmouth lost revenues and benefits totalling $37,359,000.

	7 year period during expropriation and start up	2 year construction period
Number of houses constructed	2,450	475
Housing construction jobs:		
- Halifax Dartmouth	2,625	500
- Nova Scotia	6,400	1,240
Wages paid:		
- Halifax/Dartmouth	$84,000,000	$16,205,000
- Nova Scotia	$127,960,000	$24,810,000
Direct and indirect Province Of Nova Scotia GPP (gross provincial product*)	$177,870,000	$34,485,000
Property taxes paid to City of Dartmouth	$12,421,500	$800,000
Value of infrastructure transferred to City of Dartmouth	$21,700,000	$14,900,000
Deed transfer tax paid to City of Dartmouth	$3,237,500	$630,000

COX, DOWNIE, NUNN & GOODFELLOW

BARRISTERS & SOLICITORS

HALIFAX, NOVA SCOTIA

№ 101

October 8th 19 8

PAY TO THE ORDER OF McInnis, Cooper & Robertson In Trust $2,135,000.0

--,wo million, one hundred and thirty-five thousand----------------00/100 DOLLA

RE Portland Estates Ltd + Bank of Nova Scotia

COX, DOWNIE, NUNN & GOODFELLO

TRUST ACCOUNT

CANADIAN IMPERIAL BANK OF COMMERCE

BARRINGTON & DUKE

HALIFAX, NOVA SCOTIA

⑆00003⑈010⑆ 27⑈01413⑈